

**Wellness and Beauty Solutions Limited**  
ACN 169 177 833



ASX Announcement  
9 August 2022

### **Initial Prospectus**

In connection with its application for reinstatement to the Official List of ASX, Wellness and Beauty Solutions Limited (to be renamed **Hiro Brands Limited**) (Company) is proposing to offer shares to the public under a prospectus.

This announcement encloses the initial Prospectus dated 15 July 2022 which was previously lodged with ASIC. It is noted that this has been since been superseded by a **Replacement Prospectus** which was released on the ASX on 2 August 2022 and is available at:

<https://www.asx.com.au/asxpdf/20220802/pdf/45cgzt2bs9h3mm.pdf>

**ENDS**

**Hasaka Martin**

Company Secretary

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# **PROSPECTUS**

**HIRO BRANDS LIMITED  
ACN 169 177 833**

**Offer of between 13,368,984 and 18,716,578 Shares to  
the public at an issue price of \$1.87 each to raise  
between \$25,000,000 and \$35,000,000 before costs**

**15 JULY 2022**

This document is important. You should read it in its entirety. You should consult your stockbroker, accountant or other professional adviser before deciding whether to invest in Shares.

## IMPORTANT NOTICE

This Prospectus is an important document and requires your prompt attention. You should read it carefully. It is important that you consider the risk factors (see section 6) before deciding on your course of action as these could affect the Company's financial performance.

### **Change in scale of activities and re-compliance with chapters 1 and 2 of the ASX Listing Rules**

The Company has entered into an agreement for the acquisition of 98% of the issued capital of The Heat Group Pty Ltd (**Heat**). The Company has entered into option agreements pursuant to which it will acquire approximately 98% of the issued capital of Aware Environmental Pty Ltd (**Aware**). The acquisitions will involve a significant change in the scale of the Company's activities which requires the approval of Shareholders under Chapter 11 of the ASX Listing Rules. This approval will be sought by the Company at the General Meeting to be held on or around 19 August 2022 (**General Meeting**). See section 9 for further information of the Heat Acquisition and Aware Acquisition.

References in this Prospectus to the business and assets of the Company assume that the acquisitions of Heat and Aware have been completed, and where appropriate "Hiro" means the Company and its subsidiaries assuming the acquisitions have been completed.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1, 2 and 11 of the ASX Listing Rules and to satisfy the ASX requirements for reinstatement to quotation of shares in the Company on ASX following a change in scale of the Company's activities.

Shares in the Company have been suspended from trading on ASX since 1 February 2021 and will not be reinstated until approval by ASX of the Company's reinstatement application (**Reinstatement Application**). There is a risk that the Company may not be able to meet the requirements of ASX for reinstatement to quotation of its shares. If the Company does not receive conditional approval for reinstatement to quotation of its shares on ASX or the other conditions of the Offer are not satisfied the Company will not proceed with the Offer and Applicants will be reimbursed their Application Monies (without interest).

### **Offer**

The Offer contained in this Prospectus is an invitation to acquire Shares in the Company.

### **Lodgement and listing**

This Prospectus is dated 15 July 2022 and a copy of this Prospectus was lodged with ASIC on that date. The Company will, within 7 days of the date of this Prospectus, lodge an application with the ASX for admission of the Company to the official list of the ASX and quotation of all Shares (including New Shares issued pursuant to this Prospectus) on the ASX. Neither ASX nor ASIC takes any responsibility for the contents of this Prospectus. The fact that the ASX may admit the Company to its official list is not to be taken in any way as an indication of the merits of the Company or the New Shares offered under this Prospectus.

### **Conditional Offer**

The Offer is subject to a number of conditions including ASX approval of the Reinstatement Application, achievement of the Minimum Subscription and the Heat Acquisition and Aware Acquisitions completing..

If these conditions are not satisfied the Offer will not proceed and no Shares will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their Application Monies (without interest).

### **Expiry Date**

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Shares offered pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

## **Note to Applicants**

This document is important and should be read in its entirety. You should read this entire Prospectus carefully before deciding whether to subscribe for Shares. In particular, you should consider the risk factors that could affect the performance of the Company or the value of an investment in the Company, some of which are outlined in see section 6.

The information contained in this Prospectus is not investment advice and does not take into account your investment objectives, financial situation, tax position or particular needs. Before deciding whether to subscribe for Shares, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance.

## **Consider risks of investment**

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of the Company you should consider the best estimate assumptions underlying any forward-looking statement, together with the risk factors that could affect the Company's business, financial condition and results of operations, including macroeconomic and market condition risks arising from the ongoing global COVID-19 pandemic. Some of the key risk factors that should be considered by prospective investors are set out in section 6 of this Prospectus.

However, there may be risk factors in addition to these that should be considered in light of your personal circumstances. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before making an investment decision.

## **Exposure Period**

The Corporations Act prohibits the Company from processing the Applications received until after the Exposure Period. The Exposure Period is the 7 day period from the date of this Prospectus and may be extended by ASIC by up to a further 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act.

## **Jurisdiction**

This Prospectus and the **enclosed** Application Form (including any electronic prospectus) do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, the distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares (including the New Shares) have not been, and will not be, registered under the US Securities Act 1933 (US Securities Act) and may not be offered or sold in the United States of America, or to, or for the account or benefit of any person in the USA.

## **Form of Prospectus**

This Prospectus is posted on [www.hirobrands.com](http://www.hirobrands.com) (**Website**). If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

Any references to documents included on the Website are provided for convenience only, and none of the documents or other information on the Website are incorporated by reference in this Prospectus.

Persons who receive a copy of this Prospectus in its electronic form may obtain a paper copy of the Prospectus (including any supplementary document and the Application Form) free of charge by contacting the Company.

## **Disclaimer**

Investors should not rely on any information about the Company or the Shares which is not contained in this Prospectus in making a decision as to whether to acquire Shares under the Offer. No person is authorised to give any information, or to make any representation, in connection with the Company or the issue of Shares which is not contained in this Prospectus. Any information or representation which is not in this Prospectus may not be relied on as having been authorised by the Company, the Directors or any other person in connection with the issue of Shares.

Except as required by law, and then only to the extent so required, no person warrants or guarantees the future performance of the Company or any return in relation to a decision made by an Applicant under this Prospectus.

## **Lead Manager disclaimer**

MST Financial Services Pty. Ltd. (**Lead Manager**) acted as lead manager to the Offer and has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates, officers, employees or advisers. To the maximum extent permitted by law, the Lead Manager (and each of its affiliates, officers, employees and advisers) expressly disclaims all liabilities in respect of, and makes no representations regarding, and takes no responsibility for, any part of this Prospectus other than references to its name and makes no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

## **Dividend policy**

There is no guarantee of the payment of any dividends to successful Applicants by the Company and the ability to pay any dividends will be dependent on generating sufficient revenue and profits to support the payment of dividends.

## **Forward looking statements**

The forward-looking statements in this Prospectus are based on the Company's current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors and which could cause actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements in this Prospectus. This Prospectus details some important factors and risks which could cause the Company's actual results to differ from the forward-looking statements in the Prospectus.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events.

## **Defined terms and glossary**

Capitalised words and expressions used in this Prospectus are defined in the Glossary at section 11 of this Prospectus.

## **Financial amounts**

Financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

## **Photographs and diagrams**

Photographs used in this Prospectus which do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

### **Time references**

A reference to time in this Prospectus is to Australian Eastern Standard Time (AEST) being the local time in Melbourne, Australia, unless otherwise stated.

### **No cooling-off rights**

Cooling-off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

### **Privacy**

The Company collects information about each Applicant provided on an Application for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company. By submitting an Application, each Applicant agrees that the Company may use the information provided by that Applicant on that Application for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company and the Share Registry holds about that person subject to certain exemptions under law. Access requests must be made in writing to the Company

### **Questions**

If you have any questions about how to apply for Shares, please call your broker or the Share Registry on the Offer Information Line:

9.00am to 5.00pm  
(Within Australia) 1300 850 505  
(Outside Australia) +61 03 9415 4000

## CHAIRMAN'S LETTER

Dear Investor

On behalf of the Board, it gives me great pleasure to offer you the opportunity to become a shareholder in Hiro Brands Limited: a company specialising in the manufacture and distribution of Australian made personal care, cosmetic, cosmeceutical, and household cleaning products.

Hiro is the fusion of two seasoned Australian companies, each with over 20 years industry experience: Aware Environmental and the Heat Group.

Aware brings to Hiro a TGA-certified manufacturer of skin cosmetics, a volume manufacturer of consumer branded household cleaning and personal care products, and a large scale contract manufacturer to both retailers and large brand owners. The company's main brands include Organic Choice, Trix, Orange Power, Actizyme and AusMediCo.

Heat brings to Hiro a marketing and distribution business in the wellness and beauty sector distributing its own brands, such as Billie Goat, Medi-Manager, Body Tools, Ulta 3 and MUD. Heat supplies its ranges of colour cosmetics and beauty products to the Pharmacy, Variety, Supermarket and department store channels nationally. The company also is an exclusive national distributor of a select range of premium beauty products in the sector. Their combined operational synergies together with a stable of complimentary brands and consumer markets is detailed in Section 3 of this Prospectus followed by financial performance in Section 7.

The Hiro Board believes this offer represents an attractive and timely opportunity to invest in a large scale Australian manufacturer of non-discretionary consumer products, with an established retail/B2B distribution network and a desirable suite of respected consumer beauty, wellness and household cleaning brands. These capabilities are enhanced with a new Board and leadership team who have significant experience in developing Fast Moving Consumer Goods businesses. Section 5 provides a detailed background on each of Hiro's officers and key management personnel.

As detailed in Section 4, Hiro is aiming to raise between \$25,000,000 and \$35,000,000 through the issue of Shares at an issue price of \$1.87 each. The Offer is subject to a number of conditions detailed in Section 4.10, including Hiro obtaining Shareholder approvals to complete the Heat Acquisition and the Aware Acquisition.

The Offer funds will allow Hiro to invest in improving its management of the retail/B2B distribution network and driving efficiencies in the manufacturing site through the use of growth working capital and automation projects. In addition, raised funds will allow for the recapitalisation of the company and the acquisition of Actizyme, a strategic brand which is currently manufactured under licence. Section 5 provides details on the proposed use of funds.

Instructions on how to apply are set out in Section 4.2 and are on the back of the Application Form. Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at:  
<https://hirobrandspublicoffer.thereachagency.com>

I encourage you to read and understand the Prospectus, seeking independent professional advice as necessary, before making an investment decision.

On behalf of the Board, I look forward to welcoming you as a shareholder of Hiro.

Yours faithfully

*Garry Hounsell*

Garry Hounsell  
Chairman

**KEY OFFER STATISTICS**

	<b>Minimum Subscription (\$25,000,000)</b>	<b>Maximum Subscription (\$35,000,000)</b>
Offer price	\$1.87	\$1.87
Total number of Shares to be issued under the Offer	13,368,984	18,716,578
Number of shares expected to be on issue on completion of the Offer (including as a result of the various other Share issues described in this Prospectus)	56,353,238	61,700,832
Amount to be raised under the Offer	\$25,000,000	\$35,000,000
Implied market capitalisation at the Offer price	\$105,380,555	\$115,380,555

**INDICATIVE TIMETABLE**

<b>Date</b>	
Lodgement of this Prospectus with ASIC	15 July 2022
Opening Date of Offer	1 August 2022
Closing Date of Offer	12 August 2022
General Meeting	19 August 2022
Completion of Heat and Aware Acquisitions	19 August 2022
Issue of new Shares pursuant to the Offer	25 August 2022
Expected despatch date of Holding Statements	26 August 2022
Expected date for Shares to commence trading on ASX	31 August 2022

**Note:** The above dates are indicative only. The Company reserves the right to alter this timetable including the Opening Date of Offer and the Closing Date of Offer. Applicants are advised to lodge their Application Forms as soon as possible after the Opening Date if they wish to invest in the Company.

## 1. INVESTMENT HIGHLIGHTS

This section is a summary of key information contained in this Prospectus and is not intended to provide full information for investors intending to apply for Shares. This Prospectus should be read and considered in its entirety. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or their future value.

TOPIC	SUMMARY	MORE INFORMATION
<b>Company Overview</b>		
Who is the Company and what does it do?	<p>The Company's rebranded business will be known as Hiro Brands Limited (<b>Hiro</b>).</p> <p>Hiro is a new Australian based fast moving consumer goods (<b>FMCG</b>) business resulting from the merger of the Heat Group and Aware Environmental. Hiro has a new Board of Directors, an experienced FMCG Managing Director and CEO, a new senior executive team and a comprehensive strategy to grow the consolidated company.</p> <p>An attractive proposition underpinning Hiro is its strong national multi-channel retail/B2B distribution network combined with Australian made high volume manufacturing capability. Supporting this is an existing portfolio of well-known consumer brands spanning across both every day and premium consumer products with appeal to a wide customer base.</p> <p>Hiro aims to become a leading Australian based manufacturer and distributor of everyday consumer products; products that play a key role in the lifestyle and wellbeing of consumers such as cosmetics, household care, beauty accessories, therapeutic and personal care products.</p> <p>Hiro's technical capabilities are well positioned to develop sustainable products that support the macro trend for conscious purchasing. This will appeal to a broad group of consumers who want to do good everyday by making choices that better support the planet and their lifestyle.</p> <p>Hiro will achieve its growth plans by accelerating its own proprietary brand Research &amp; Development (<b>R&amp;D</b>) program, supporting locally made retail brand contract manufacturing and expanding its sales channel access. Hiro will identify and nurture new to market sustainable brands through support in R&amp;D, manufacturing and Hiro's national distribution network.</p> <p>The Hiro business is an attractive and viable proposition because it has an established end-to-end product supply capability and a diverse national customer distribution base. This in turn enables Hiro to grow its sales penetration more quickly without using external intermediaries.</p> <p>Combined with local high volume manufacturing capability, Hiro will continue to create Australian owned, made and developed products to support a growing retailer and consumer desire for locally made personal care, cosmetic and household cleaning products.</p> <p>Hiro's objectives are to:</p> <ul style="list-style-type: none"> <li>• become a trusted brand leader in the manufacture and distribution of Australian made personal care, cosmetics, cosmeceutical and household cleaning products;</li> </ul>	Section 3

TOPIC	SUMMARY	MORE INFORMATION
	<ul style="list-style-type: none"> <li>continually aspire to design and make effective every day and premium consumer products that are better for consumers and better for the planet;</li> <li>develop a portfolio of innovative, trusted consumer facing brands sold through a diversified multi-channel retail, consumer and commercial customer base across our region;</li> <li>be a trusted partner working with major grocery retailers and pharmaceutical retailers on local R&amp;D, brand design and contract manufacture of high-volume product ranges as local sourcing product strategies continue to become more important; and</li> <li>have a branded distribution model that can access consumers with all products manufactured, branded, sold and distributed by Hiro via an eCommerce based solution.</li> </ul>	
What are the Company's key strengths?	<p>The strength of the Hiro proposition is underpinned by a fully integrated, large scale Australian manufacturing and mass market retail distribution capabilities.</p> <p>This is supported by local R&amp;D capability, existing technical IP, underutilised production capacity as well as the Company's current branded business growth potential with major retailers, which has been historically held back due to private company working capital challenges resulting in poor supply fulfilment.</p> <p>The Hiro business has an experienced workforce and leadership team, a growing stable of existing and new contract manufacturing clients, existing national retailer relationships and an exciting pipeline of company owned brand innovation in development to expand product range growth, channel expansion and range premiumisation.</p> <p>Hiro brings to the market:</p> <ul style="list-style-type: none"> <li>flexible, high volume production capability based in Melbourne, Australia with capacity for significant volume growth using existing assets;</li> <li>a wide portfolio of attractive discretionary and non-discretionary consumer products and brands sold in the personal care, cosmetics, cosmeceutical and household cleaning product markets;</li> <li>strength in national product distribution with the ability to simultaneously 'pick and pack' consignments and bulk ship goods to customers from an established, paperless national distribution centre located in Melbourne;</li> <li>existing market access and customer trading relationships with all major Grocery, Pharmacy, Variety and other emerging B2B customers with branded, contract manufacturer and retailer private label products;</li> <li>strength in global/local sourcing of consumer beauty products for retail distribution and raw materials for Hiro's own Australian manufacturing needs;</li> <li>an existing national eCommerce platform servicing small business with an immediate capability to expand this solution into a direct to consumer branded model;</li> </ul>	Section 3

TOPIC	SUMMARY	MORE INFORMATION
	<ul style="list-style-type: none"> <li>a library of over 750+ proprietary product formulas and associated technical IP across many product formats that can be leveraged to drive growth in Hiro's own brand ranges;</li> <li>a dedicated Australian based R&amp;D centre and a modern TGA production facility (with expansion potential) supported by 40 highly flexible skin cosmetics, personal care and home cleaning product production lines;</li> <li>ability to collaborate with challenger brands to support the design, contract manufacture and mass market distribution for these products of the future ensuring Hiro continually captures market trends;</li> <li>a highly capable, growth focussed executive leadership team with FMCG expertise supported by an experienced, long term employee base; and</li> <li>a relevant suite of existing ICT platforms supporting both the current operations, eCommerce and planned future company growth.</li> </ul>	
What are the Company's key business strategies?	<p>Hiro's core business strategies are centred around:</p> <ol style="list-style-type: none"> <li>consolidation and leverage of the local manufacturing and national distribution model to become a low cost, efficient and innovative supplier of premium and everyday consumer products;</li> <li>building organisational capability across the Hiro business through people and systems;</li> <li>expanding Hiro into new distribution channels and increasing penetration in existing distribution channels through company brand sales, contract manufacturing and product innovation;</li> <li>partnership and development of new 21<sup>st</sup> Century brands and supporting retail brand manufacturing; and</li> <li>growing existing capability in eCommerce across both consumer and business.</li> </ol>	Section 3
<b>Industry Overview</b>		
What is the industry in which the Company operates and what are the Company's key markets?	<p>Hiro primarily manufactures, distributes and sells cosmetic, personal care and household care consumer products in Australia. The Company operates in two key markets:</p> <ul style="list-style-type: none"> <li>the Australian personal care products industry; and</li> <li>the Australian household cleaning products industry.</li> </ul> <p><u>Australian personal care products industry</u></p> <p>Hiro management estimates derived from Australian Bureau of Statistics (<b>ABS</b>) household expenditure data implies that the size of the Australian personal care products industry was approximately \$6.5bn in 2015-16.</p> <p>Of the estimated \$6.5bn that was spent on Australian personal care products in 2015-16, Hiro management estimates the Company's total addressable market in toiletries, cosmetics, haircare products, deodorants, toilet soap and body wash products was around \$5.1bn in 2015-16.</p>	Section 2

TOPIC	SUMMARY	MORE INFORMATION
	<p>Annual household expenditure on toiletries, cosmetics, haircare products, deodorants, toilet soap and body wash products has increased between 2003-04 and 2015-16 at a CAGR of 4.9% per annum.</p> <p><u>Australian household cleaning products industry</u></p> <p>Hiro management estimates derived from ABS household expenditure data implies that the size of the Australian household cleaning products industry was approximately \$1.7bn in 2015-16.</p> <p>Hiro management's estimates the Company's total addressable market in dishwashing detergents, laundry detergents and softeners, toilet cleaning products and other household cleaning agents was around \$1.7bn in 2015-16.</p> <p>Annual household expenditure on household cleaning products has increased between 2003-04 and 2015-16 at a CAGR of 3.1% per annum.</p>	
What are the key industry drivers?	<p>Some of the key industry drivers include:</p> <ul style="list-style-type: none"> <li>• <i>Female population</i>: aged 18 and older are the largest target market for cosmetic retailers;</li> <li>• <i>Household disposable income</i>: changes in real household disposable income affects demand for non-essential medications, cosmetics and toiletries;</li> <li>• <i>Green trends</i>: according to IBIS World, consumers are moving towards green and natural products as they are eco-friendly and gentle for the skin and gentle on the planet.</li> <li>• <i>Product innovation and range extension</i>: innovations include increased functionality, new ingredients and fragrances; and</li> <li>• <i>Increase in sanitation and cleanliness</i>: demand for household cleaning products has increased due to increased consumer concern about health and hygiene.</li> </ul>	Section 2
What are some relevant industry trends?	<p>Some of the relevant industry trends include:</p> <ul style="list-style-type: none"> <li>• Demand for Australian manufacturing;</li> <li>• Demand for Australian Made products; and</li> <li>• Demand for sustainable products.</li> </ul> <p><u>Demand for Australian onshore manufacturing</u></p> <p>Global supply is increasingly unreliable and logistics will likely be unstable for the foreseeable future and therefore having Australian made capability is advantageous. Hiro's management believes there is a global trend for industry suppliers (i.e. large multinationals) to seek to re-establish key product production via local contract manufacturing having historically manufactured their brands overseas.</p> <p>The Company sees this as a potential growth opportunity as Hiro's management believes that only a few Australian based companies can match the breadth of product range manufacturing and customer distribution that Hiro has in its core product categories.</p> <p><u>Demand for Australian Made products</u></p> <p>Hiro's management believes there is growing demand for more Australian Made products by consumers in Hiro's core product</p>	Section 2.4

TOPIC	SUMMARY	MORE INFORMATION
	<p>categories. Australian made products have grown in popularity during the COVID-19 pandemic due to global supply chain shortages, rising costs and unreliable supply of everyday staples.</p> <p><u>Demand for sustainable products</u></p> <p>The sustainability industry in Australia has been growing as consumers are becoming more aware of their buying behaviour and are becoming more mindful of the products they are purchasing. The current trends suggest that newer generations are more concerned about sustainability and are willing to do more to contribute towards living sustainably.</p>	
How does regulation affect the products manufactured by Hiro?	<p>Some of the products manufactured by Hiro are classified as therapeutic goods and are regulated under the Therapeutic Goods Administration (<b>TGA</b>) regulatory framework. These products can only be manufactured in Australia at a TGA licensed facility. They cannot be supplied to a person in Australia unless they are Registered goods or Listed goods, which means in practice that they are manufactured by a company holding a TGA licence and Registered with the TGA.</p> <p>Hiro holds a TGA licence for its main manufacturing site in Dandenong which contains a TGA approved clean room manufacturing facility. Currently this facility represents a small part of the overall manufacturing site volumes (&lt;5%) given that not all manufactured products in the Hiro brands or contract manufacturing portfolio require TGA approval. Hiro is anticipating strong volume growth from this facility in the future. In addition, the accreditation of the site presents a significant competitive advantage to Hiro because this type of accreditation is difficult to obtain and is therefore a significant barrier to entry.</p> <p>Hiro has an experienced quality management team responsible for maintaining registration and listing of Hiro products with the TGA. All products currently supplied by Hiro are appropriately Registered or Listed.</p>	Section 3.8
<b>Company's business model</b>		
What are the Company's products and services and what are they used for?	<p>The Company manufactures, markets and distributes under its own brands a wide variety of attractive and high volume non-discretionary consumer goods in the personal care, cosmetics, cosmeceutical and household cleaning product categories.</p> <p>The Company also distributes, under its own brands and as an exclusive national distributor, a wide range of colour cosmetics, healthcare aids and beauty accessory products.</p> <p>The Company provides contract manufacturing services across a range of cosmetics products for several large brand owner clients and major retailers. These services are provided under a formal manufacturing agreement between Hiro and its clients.</p>	Section 3.4
How does the Company propose to generate revenue?	Hiro generates its revenue principally through manufacturing and distributing its own ranges of branded consumer products, providing contract manufacturing services, as well as distributing its own beauty brands, which are sold in major national retailers including grocery, pharmacy, variety stores, Big Box retail and export markets,	Section 3

TOPIC	SUMMARY	MORE INFORMATION
	<p>predominantly in Australia, NZ, the Middle East and Asia, although this is a small revenue stream currently.</p> <p>The Company operates its own national field sales force into the major customer channels, supported by in-house marketing and R&amp;D teams.</p> <p>Hiro is also an exclusive national distributor for several international clients with branded colour cosmetics, healthcare aids and confectionary products, which are all sold principally into pharmacies across Australia.</p> <p>The Company has an existing 'pick and pack' small parcel online platform, which it leverages to its national B2B distribution network (pharmacies, retail) and has a growing direct to consumer platform for colour cosmetics.</p> <p>There is an immediate potential to leverage this small parcel delivery national distribution model into a much larger direct to consumer online sales model for beauty, personal care, household essential and cosmetic products, accessing the wide portfolio of products manufactured and distributed by Hiro.</p>	
What is the Company's growth strategy?	<p>Hiro is accelerating the leverage of its Australian onshore manufacturing capabilities for cosmetics, household and personal care products into its existing national retail and B2B distribution network which is currently servicing over 7,000 customers (including 4,000 pharmacies).</p> <p>Supported by the Company's own national sales team, a portfolio of consumer brands and an accelerated product innovation agenda to grow with its customer base, Hiro has a compelling competitive advantage relative to its peers.</p> <p>Hiro is one of the few Australian based consumer goods manufacturing company to span the skin cosmetics, colour cosmetics, cosmeceutical, personal care and household cleaning products segments. This allows Hiro to have a broader market reach, less reliance on one customer group or channel, diversity of earnings generation, speed-to-market and flexibility to differentiate its innovation by customer channel.</p> <p>Australian onshore manufacturing demand is increasing due to ongoing global supply chain constraints. Hiro is well placed to access an increased number of new customers directly with its locally manufactured brands and high demand products.</p> <p>The Company's growth has been severely constrained over recent years due to poor working capital availability, which has led to irregular product supply to customers, delayed major product innovation, slowed new sales growth and delayed brand marketing investment with consumers.</p> <p>Since the Company's consolidation and recapitalisation beginning in 2021, Hiro has begun to address these issues and expand on its current branded beauty and household product distribution into the major retailers, accelerate brand portfolio growth through new R&amp;D and manufacture in-house ranges of branded beauty products that were previously externally sourced for its pharmacy distribution network.</p>	Section 3.10

TOPIC	SUMMARY	MORE INFORMATION
	<p>The Company has already begun to capture and leverage operational cost saving synergies and is actively pursuing new business with major retailers and intermediary customers seeking to manufacture their own label brands onshore given ongoing global supply chain constraints.</p> <p>Hiro has also started to improve its direct-to-consumer sales of manufactured and global sourced beauty products by leveraging its expanded range of personal care, cosmetics, cosmeceutical and household cleaning products.</p>	
Who are the Company's customers?	<p>The Company's customers fall into the following broad categories:</p> <ul style="list-style-type: none"> <li>• national chain and community pharmacy groups;</li> <li>• major grocery retailers in Australia and NZ;</li> <li>• major variety, hardware and retail customers;</li> <li>• contract manufacturing clients;</li> <li>• retailer private label manufacture;</li> <li>• export distributors in the Middle East, NZ and Asia; and</li> <li>• consumers who access the Company's products through its eCommerce distribution capability.</li> </ul>	Section 3.5
Which geographic markets does the Company operate intend to operate?	Principally Australia with emerging export markets in New Zealand, the Middle East and Asia.	Section 3
How does the Company expect to fund its activities?	Reinvestment of profits and access to capital markets.	Section 3
What is the Company's competitive position?	Highly flexible Australian local manufacturing for a wide range of cosmetics, personal care, household cleaning and TGA cosmeceutical products with a competitive logistics advantage to directly service a broad range of existing retail, B2B and B2C customers in Australia. Hiro is an owner of consumer brands with substantial internal R&D and technical IP capability.	Section 3
<b>Summary of key financial information</b>		
What is the Company's pro forma financial performance?	Pro Forma (\$25m) - minimum subscription	
	\$'000	FY20 FY21
	Revenue	101,315 95,761
	EBITDA before exceptional Items	(8,582) (4,317)
	EBITDA	(15,981) (8,923)
	EBIT	(37,856) (24,253)

TOPIC	SUMMARY			MORE INFORMATION
	NPAT	(42,351)	(26,860)	
What is the Company's pro-forma financial position assuming completion of the Offer?				Section 7
		Wellness Statutory	Pro Forma (\$25m) - minimum subscription Allotment date	
	\$'000	Dec-21	Pro Forma (\$35m) - maximum subscription Allotment date	
	Cash and cash equivalents	-	15,126	
	Trade and other receivables	31	8,749	
	Inventories	-	9,453	
	Other Assets	-	493	
	<b>Total current assets</b>	<b>31</b>	<b>33,821</b>	
	Trade and other receivables - NC	-	141	
	Property, plant and equipment	-	12,767	
	Customer contract assets	-	186	
	Intangibles	-	12,560	
	Right-of-use assets	-	29,874	
	<b>Total non-current assets</b>	<b>-</b>	<b>55,528</b>	
	<b>Total assets</b>	<b>31</b>	<b>89,349</b>	
	Trade and other payables	(593)	(16,025)	
	Interest-bearing loans and borrowings	(126)	(11,427)	
	Lease liabilities	-	(2,495)	
	Provisions	-	(1,580)	
	<b>Total current liabilities</b>	<b>(719)</b>	<b>(31,527)</b>	
	Trade and other payables - NC	-	(240)	
	Interest-bearing loans and borrowings - NC	-	(1,868)	
	Lease liabilities - NC	-	(31,204)	
	Provisions - NC	-	(207)	
	<b>Total non-current liabilities</b>	<b>-</b>	<b>(33,519)</b>	
	<b>Total liabilities</b>	<b>(719)</b>	<b>(65,046)</b>	
	<b>Net assets</b>	<b>(688)</b>	<b>24,302</b>	
	Contributed equity	46,595	100,270	
	Reserve	225	(18,020)	
	Retained earnings/(accumulated losses)	(47,508)	(57,948)	
	<b>Total equity</b>	<b>(688)</b>	<b>24,302</b>	
	<i>Shares outstanding ('000)</i>	<i>135,409</i>	<i>57,723</i>	
	<i>Net assets per share (\$)</i>	<i>(0.01)</i>	<i>0.42</i>	

TOPIC	SUMMARY	MORE INFORMATION
What is the financial position of the Company?	<p>The financial information as at 31 December 2021 is based on the audited financial statements of the Group.</p> <p>Further financial information regarding the Group is set out in Section 7. The financial information is considered in the Investigating Accountant's Report included in section 8.</p> <p>Applicants should note that past performance is not a reliable indicator of further performance.</p>	Section 7
<b>Terms and conditions of the Offer</b>		
What is the Offer?	The Company is offering between 13,368,984 Shares (based on Minimum Subscription) and 18,716,578 Shares (based on Maximum Subscription) to the public at an issue price of \$1.87 each to raise between \$25,000,000 and \$35,000,000 before costs ( <b>Offer</b> ).	Section 4
Is there a minimum and maximum subscription for the Offer?	<p>Yes.</p> <p>The minimum subscription is 13,368,984 Shares at \$1.87 per Share to raise \$25,000,000 (<b>Minimum Subscription</b>).</p> <p>The maximum subscription is 18,716,578 Shares at \$1.87 per Share to raise \$35,000,000 (<b>Maximum Subscription</b>).</p>	Section 4
Why is the Offer being conducted?	<p>The principal purposes of the Offer are to:</p> <ul style="list-style-type: none"> <li>• Comply with ASX's requirements for listing the Company on the ASX;</li> <li>• Provide funds for the purpose set out in section 4.3;</li> <li>• Provide the Company with access to equity capital markets for future funding needs; and</li> <li>• Enhance the public and financial profile of the Company to facilitate further growth of the Company's business.</li> </ul>	Sections 4.1 and 4.3
How do I apply for Shares under Offer?	<p>All Application Forms must be completed in accordance with their instructions and must be accompanied by payment in Australian dollars for the full amount of the application at \$1.87 per Share.</p> <p>Payment may be made by BPAY or cheque.</p> <p>Cheques must be made payable to "Hiro Brands Limited – Subscription Account" and should be crossed "Not Negotiable".</p> <p>Applications under the Offer must be for a minimum of 1070 Shares (i.e., \$2,000).</p>	Section 4
What rights and liabilities are attached to the Shares being offered?	The rights and liabilities attaching to the Shares are described in section 10.2.	Section 10.2
Is the Offer underwritten?	No. The Offer is not underwritten. The Offer will be managed by MST Financial Services Pty Ltd ( <b>Lead Manager</b> ) on a best endeavours basis.	Section 4.14

TOPIC	SUMMARY	MORE INFORMATION
Will any capital raising fees be payable in respect of the Offer?	As compensation for the services performed in connection with the Offer, the Company has agreed to pay the Lead Manager a fee of 5% of the proceeds of the Offer (the <b>Management Fee</b> ) and also a discretionary performance fee of 0.5% of the proceeds of the Offer (the <b>Discretionary Performance Fee</b> ).	Section 4.14
Will the Shares issued under the Offer be quoted?	The Company will apply to ASX ( <b>Reinstatement Application</b> ) no later than 7 days from the date of this Prospectus for reinstatement of Shares to trading on the Official List of ASX, and official quotation of the Shares offered under this Prospectus under the code HRO.	Sections 4.10 and 9.1
When will I know if my application was successful?	Holding statements confirming allocations under the Offer will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 26 August 2022. This date is subject to change along with other dates in the Timetable. See section 4.7.	Section 4
When will the Shares be allotted?	The Company expects Shares to be allotted to successful Applicants on or about 25 August 2022. This date is subject to change along with other dates in the Timetable. See section 4.7.	Section 4
Can I speak to a representative about the Offer?	Questions relating to the Offer and completion of Application Forms can be directed to the Lead Manager or to the Share Registry on the Offer Information Line:  9.00am to 5.00pm  (Within Australia) 1300 850 505  (Outside Australia) +61 03 9415 4000	Section 4
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, stamp duty or other costs are payable by Applicants.	Section 4.2
Can the Offer be withdrawn?	The Offer is conditional on ASX approving the Reinstatement Application the Minimum Subscription being achieved and the Heat Acquisition and Aware Acquisition completing. If approval is not given within 3 months after the application is made (or any longer period as ASIC and ASX may permit) or the other Offer Conditions are not satisfied the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practical in accordance with the requirements of the Corporations Act.  The Company also reserves the right not to proceed with the Offers at any time before the issue of the Shares and no interest will be paid on any Application monies refunded as a result of the withdrawal of the Offer.  For information on the Offer Conditions see section 4.10.	Sections 4.8 and 4.10

TOPIC	SUMMARY	MORE INFORMATION
Use of funds		
How will funds raised under the Offer be used?	Funds raised under the Offer will be applied towards:	
	USE OF FUNDS	Minimum SubscriptionMaximum Subscription
	Marketing – brand establishment and delivery	\$1,000,000\$2,500,000
	Technology and R&D	\$360,000\$500,000
	Strategic investment – Actizyme brand acquisition	\$2,500,000\$2,500,000
	Manufacturing site consolidation (Aware) and manufacturing robotics, automation and equipment	\$3,500,000\$7,100,000
	Working Capital - RM stock, components, inventory	\$6,473,000\$7,683,000
	Debt Restructuring	\$7,000,000\$10,000,000
	Expenses of the Offer	\$2,667,000\$3,217,000
	Corporate advisory payment (Elevon)	\$1,500,000\$1,500,000
TOTAL	\$25,000,000.00\$35,000,000.00	
Section 4.9		
Capital structure		
What is the effect of the Offer on the capital structure of the Company?	Following the Offer, the Company’s Share capital will be as set out in section 4.11.	Section 4.11
Key risk factors		
Access to Funding	<p>Hiro and its subsidiary entities have experienced variability in the amount and timing of operating cashflows. Limitations on access to funding have the potential to impact Hiro’s ability to successfully execute its growth plan leading to the risk that Hiro may experience further variability in its cash flow requirements.</p> <p>Hiro may also require further funding in the future to execute its growth strategies. There is a risk that the Group may be unable to access debt or equity funding from the capital markets or is existing lenders on favourable terms, which has the potential to hinder implementation of the growth strategies.</p>	Section 6

TOPIC	SUMMARY	MORE INFORMATION
Failure to Grow	<p>There is a risk that Hiro will be unable to offer a sufficient number of successful new products which could potentially result in reduced growth.</p> <p>There is a risk that new Hiro products developed and launched to the market may not be successful if they do not attract sufficient market interest and fail to sell. There is also a risk that new products:</p> <ol style="list-style-type: none"> <li>1. waste operating costs;</li> <li>2. incur operating costs earlier than necessary or greater than forecast; and</li> <li>3. impact revenues of existing products to a greater extent than predicted.</li> </ol>	Section 6
Product quality and safety	<p>Personal care products that contain inferior raw materials or raw materials not to the correct specifications may affect the quality, stability and shelf life of the product. It may also affect the potency and efficacy of its purpose within the formula, potentially resulting in unknown effects to the stability of the finished good.</p> <p>An incident or threat of product contamination, or the perception that such an incident has occurred may cause reputational damage to Hiro and its brands. This may be realised from the perspective of Hiro's suppliers, customers, the general public and regulators; the loss of contracts for the supply of products and may also result in product recall costs, compensation payments and the payment of penalties. All of these circumstances have the potential to give rise to material and adverse effect on Hiro's revenue, profitability and growth.</p>	Section 6
Loss or deterioration of supply arrangements	<p>Hiro relies on a range of parties (e.g. suppliers, freight providers etc.) for its product-sourcing. Its relationships with suppliers are often governed by individual purchase orders and invoices. Under those arrangements, suppliers may seek to alter the terms on which products are supplied, as well as the range of products available for supply. This may result in changes in pricing levels and a reduction in the range of products made available to Hiro. This in turn may adversely impact Hiro's ability to successfully provide customers with a wide range of products at competitive prices. If this occurred, this would likely affect Hiro's revenue, profitability and growth, thereby potentially reducing Hiro's overall profitability and adversely impacting its financial performance.</p>	Section 6
Competition	<p>Hiro's products are subject to competition from substitutable products and the effects of competition between retailers who sell its products. The majority of Hiro's branded products are sold in supermarkets and pharmacies in Australia. Competition between retail chains is intense. As such, this has led to aggressive reviews of product mixes, and increased movement towards "own" or "private label" products to improve retail margins. This situation is not unique to Hiro and affects suppliers of the vast majority of products stocked across supermarket and pharmacy chains.</p> <p>New entrants into Hiro's market segment have the potential to cause market disruption across Hiro and competitors' brands as they bid to secure shelf space, in turn potentially leading to the erosion of sales.</p>	Section 6

TOPIC	SUMMARY	MORE INFORMATION
Decrease in demand for Hiro's products	Hiro's current business and growth plans depend on there being an active market domestically and internationally for Hiro and private label products. Consequently, any decrease in demand for Hiro's products including due to changing consumer preferences and tastes, consumers substituting Hiro's products for competitor's products, product and price competition, performance and reliability, changes in law or regulation or economic and market conditions, will adversely affect sales of Hiro and private label products and may have a material and adverse effect on Hiro's revenue, profitability and growth.	Section 6
Integration Risk	<p>The integration of Aware and Heat Group businesses carries risk, including potential delays or costs in implementing necessary changes, including combining operations that were previously operated independently.</p> <p>There is a risk that the integration of these businesses may encounter unexpected challenges or issues, including:</p> <ol style="list-style-type: none"> <li>1. possible difficulties in merging the cultures and management styles of both businesses in an effective manner;</li> <li>2. disruption to the current operations of both businesses;</li> <li>3. higher than anticipated integration costs;</li> <li>4. flow on impacts from the increase in scale of the businesses;</li> <li>5. integration of accounting and internal controls;</li> <li>6. system integration issues and associated realisation of unforeseen costs; and</li> <li>7. unintended loss of key personnel and/or expert knowledge, or reduction of employee productivity due to uncertainty following the amalgamation of the Aware and Heat businesses.</li> </ol> <p>A failure to fully integrate these businesses as per the plan, as a result of any of the reasons above (or any other reason), could impose unexpected costs, and time delays, that may adversely affect the financial position, performance and future prospects of Hiro.</p>	Section 6
Brand and reputation	<p>The Hiro group portfolio of brand names and intellectual property are key assets of the business. The reputation and value associated with these brands, and related intellectual property, could be adversely impacted by a number of factors. These may include failing to provide customers with the quality of product expected; disputes or litigation with third parties, employees, suppliers or customers; adverse media coverage (including social media), or other circumstances including those beyond the direct control of Hiro.</p> <p>Erosion in the reputation of, or value associated with, Hiro brands and private label products may have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates, and overall demand for Hiro products.</p>	Section 6
<b>Directors and management</b>		
Who are the Company's Directors?	<p>Upon completion of the Offer, the Directors of the Company will be:</p> <ul style="list-style-type: none"> <li>• Garry Hounsell, Independent Non-Executive Chairperson</li> <li>• Steven Chaur, Managing Director and Chief Executive Officer</li> <li>• Margaret Lyndsey Cattermole, AM, Non-Executive Director</li> <li>• David Botta, Independent Non-Executive Director</li> </ul>	Section 5.1

TOPIC	SUMMARY	MORE INFORMATION																																								
	<ul style="list-style-type: none"><li>Paul Docherty, Non-Executive Director</li><li>Amber Collins, Independent Non-Executive Director</li></ul>																																									
Who comprises the senior management team of the Company?	Upon completion of the Offer, the Company’s senior management team will be comprised of: <ul style="list-style-type: none"><li>Steven Chaur, Managing Director and Chief Executive Officer</li><li>Albert Zago, Group Chief Financial Officer</li></ul>	Section 5.2																																								
What are the significant interests of the Directors?	<p>From re-admission, the holdings of Directors and their associated entities will be as follows:</p> <table><tr><th></th><th colspan="2">Minimum Subscription (\$25,000,000)</th><th colspan="2">Maximum Subscription (\$35,000,000)</th></tr><tr><th>Director</th><th>Shares</th><th>Voting power</th><th>Shares</th><th>Voting power</th></tr><tr><td>Garry Hounsell (1)</td><td>160,416</td><td>0.3%</td><td>160,416</td><td>0.3%</td></tr><tr><td>Steven Chaur</td><td>160,416</td><td>0.3%</td><td>160,416</td><td>0.3%</td></tr><tr><td>Margaret Lyndsey Cattermole (2)</td><td>2,716,377</td><td>4.8%</td><td>2,716,377</td><td>4.4%</td></tr><tr><td>David Botta</td><td>77,000</td><td>0.1%</td><td>77,000</td><td>0.1%</td></tr><tr><td>Paul Docherty</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr><tr><td>Amber Collins</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr></table> <p>Notes:</p> <p>Garry Hounsell, together with his wife Julie Hounsell, hold these as trustee for The Hounsell Superannuation Fund.</p> <p>(2) See detailed comments in sections 4.12 and 5.5 explaining the holdings of Cattermole and Cattermole Associates. The amounts specified in the table above are Margaret Lyndsey Cattermole’s direct holding only. Margaret Lyndsey Cattermole has both direct and indirect interests in the voting power of the Company:</p> <ul style="list-style-type: none"><li>Direct – Margaret Lyndsey Cattermole has a direct interest in the 64,166 Shares which will be held by Cattermole Management Pty Ltd, the 32,083 Shares that will be held by Hugh Cattermole and the tranches of 695,135 and 1,924,993 Shares that will be held by Alcott Pty Ltd (both in respect of Seed Convertible Notes). These direct holdings equate to 2,716,377Shares (or 4.8% based on Minimum Subscription or 4.4% based on Maximum Subscription).</li><li>Indirect – Margaret Lyndsey Cattermole (via her wholly controlled entity, Alcott Pty Ltd) has a substantial holding in Heat Holdings (of 48.2%). As a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings.</li></ul> <p>In aggregate, Margaret Lyndsey Cattermole will have a total interest (direct and indirect) in 29,015,758 Shares in the Company (equating to a 51.5% interest based on Minimum Subscription or a 47% interest based on Maximum Subscription). This percentage comprises her “voting power” for the purposes of the Corporations Act. See additional explanation in section 5.5.</p>		Minimum Subscription (\$25,000,000)		Maximum Subscription (\$35,000,000)		Director	Shares	Voting power	Shares	Voting power	Garry Hounsell (1)	160,416	0.3%	160,416	0.3%	Steven Chaur	160,416	0.3%	160,416	0.3%	Margaret Lyndsey Cattermole (2)	2,716,377	4.8%	2,716,377	4.4%	David Botta	77,000	0.1%	77,000	0.1%	Paul Docherty	0	0%	0	0%	Amber Collins	0	0%	0	0%	Section 5.3
	Minimum Subscription (\$25,000,000)		Maximum Subscription (\$35,000,000)																																							
Director	Shares	Voting power	Shares	Voting power																																						
Garry Hounsell (1)	160,416	0.3%	160,416	0.3%																																						
Steven Chaur	160,416	0.3%	160,416	0.3%																																						
Margaret Lyndsey Cattermole (2)	2,716,377	4.8%	2,716,377	4.4%																																						
David Botta	77,000	0.1%	77,000	0.1%																																						
Paul Docherty	0	0%	0	0%																																						
Amber Collins	0	0%	0	0%																																						
Significant interests of key people and related party transactions																																										

TOPIC	SUMMARY	MORE INFORMATION																						
Who are the substantial Shareholders and what will their interests be at completion of the Offer?	<table><tr><th rowspan="2">Note</th><th rowspan="2">Relevant Party</th><th rowspan="2">Shares</th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr><tr><th>%</th><th>%</th></tr><tr><td>1</td><td>Heat Holdings<sup>(1)</sup></td><td>26,299,381<sup>(1)</sup></td><td>46.7%<sup>(1)</sup></td><td>42.6%<sup>(1)</sup></td></tr><tr><td>2</td><td>Cattermole and Cattermole Associates<sup>(2)</sup></td><td>29,015,758<sup>(2)</sup></td><td>51.5%<sup>(2)</sup></td><td>47.0%<sup>(2)</sup></td></tr><tr><td>3</td><td>BIA Fund<sup>(3)</sup></td><td>31,634,349<sup>(3)</sup></td><td>56.1%<sup>(3)</sup></td><td>51.3%<sup>(3)</sup></td></tr></table>	Note	Relevant Party	Shares	Minimum Subscription	Maximum Subscription	%	%	1	Heat Holdings <sup>(1)</sup>	26,299,381 <sup>(1)</sup>	46.7% <sup>(1)</sup>	42.6% <sup>(1)</sup>	2	Cattermole and Cattermole Associates <sup>(2)</sup>	29,015,758 <sup>(2)</sup>	51.5% <sup>(2)</sup>	47.0% <sup>(2)</sup>	3	BIA Fund <sup>(3)</sup>	31,634,349 <sup>(3)</sup>	56.1% <sup>(3)</sup>	51.3% <sup>(3)</sup>	Section 10.5
	Note				Relevant Party	Shares	Minimum Subscription	Maximum Subscription																
		%	%																					
	1	Heat Holdings <sup>(1)</sup>	26,299,381 <sup>(1)</sup>	46.7% <sup>(1)</sup>	42.6% <sup>(1)</sup>																			
	2	Cattermole and Cattermole Associates <sup>(2)</sup>	29,015,758 <sup>(2)</sup>	51.5% <sup>(2)</sup>	47.0% <sup>(2)</sup>																			
	3	BIA Fund <sup>(3)</sup>	31,634,349 <sup>(3)</sup>	56.1% <sup>(3)</sup>	51.3% <sup>(3)</sup>																			
	Notes:																							
	(1) Heat Holdings will have a direct interest in 26,299,381 Shares in the Company following completion of the Proposed Transactions (see Resolutions 3 – 8).																							
	(2) See detailed comments in sections 4.12 and 5.5 explaining the holdings of Cattermole and Cattermole Associates. In summary, Cattermole and Cattermole Associates will have an interest (directly and indirectly) in 29,015,758 Shares the Company following completion of the Proposed Transactions as follows:																							
	a) Alcott will directly hold tranches of 695,135 and 1,924,993 Shares issued upon the conversion of Seed Investor Convertible Notes;																							
b) Alcott will have a substantial holding (of 48.2%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings; and																								
c) Hugh Cattermole (Margaret Lyndsey Cattermole’s son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole) will directly hold 64,166 and 32,083 Shares in the Company respectively.																								
(3) See detailed comments in sections 4.12 and 5.5 explaining the holdings of the BIA Fund. In summary, the BIA Fund will have an interest (directly and indirectly) in 31,634,349 Shares the Company following completion of the Proposed Transactions as follows:																								
a) BIA Fund will directly hold tranches of 4,051,639 and 1,283,329 Shares issued upon the conversion of Seed Investor Convertible Notes; and																								
b) BIA Fund will have a substantial holding (of 42%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, it in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings.																								
Is the Company any party to any related party arrangements?	The Company is not party to any related party arrangements other than as set out in this Prospectus.				Sections 9 and 10.3.4																			
Miscellaneous matters																								
Will any Shares be	The Company will apply to be reinstated to the Official List of ASX on the basis of the assets test. When this test is applied ASX will normally require that some of the Company’s shares be subject to																							

TOPIC	SUMMARY	MORE INFORMATION
subject to escrow?	compulsory escrow. The Company expects that its Shares will be free from compulsory escrow upon re-instatement on the basis that it will have a track record of revenue acceptable to ASX (one of the exceptions to the normal escrow requirements). While ASX retains a discretion over these matters it has provided guidance that to satisfy the requirement for an acceptable track record of revenue it must be a going concern or a successor of a going concern, have conducted the same business activity during the last 3 full financial years, have aggregated revenue for the last 3 financial years of at least \$20 million, be raising at least \$20 million and have a market capitalisation of over \$100,000,000. In accordance with general market expectations, the Company expects to apply a period of voluntary escrow (anticipated to be 12 months) to Shares issued before or in connection with the Public Offer (except for in respect of new Shares issued pursuant to the Public Offer). It is possible that ASX will not accept the Company's submissions and require compulsory escrow in accordance with Chapter 9 and Appendix 9B of the ASX Listing Rules. The effect of that would be that the persons disclosed in Section 4.13 would still be subject to escrow but in a number of cases the period of escrow would be different – in most cases 2 years rather than 1 year.	Section 4.13
Will the Company pay dividends?	The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.	Section 4.21
What are the tax implications of investing in Shares under the Offer?	The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. Investors should obtain their own advice before deciding to invest.	Section 10.10
Where to find more information?	Questions relating to the Offer and the Application Form can be directed to the Lead Manager or to the Share Registry on the Offer Information Line:  9.00am to 5.00pm  (Within Australia) 1300 850 505  (Outside Australia) +61 03 9415 4000	N/A

## 2. INDUSTRY OVERVIEW

### 2.1. Introduction

Hiro was formed by integrating two existing and complementary Australian businesses, Aware Environmental and the Heat Group. Hiro primarily manufactures, distributes and sells cosmetic, personal care and household care consumer products in Australia.

This section provides an overview of:

- the Australian personal care products industry; and
- the Australian household cleaning products industry.

focussing on relevant industry drivers and trends.

All currencies referenced in Section 2 are in Australian dollars.

### 2.2. Overview of the Australian personal care products industry

#### 2.2.1. Overview of Industry

Hiro management considers, based on ABS household expenditure data, that the size of the Australian personal care products industry was approximately \$6.5bn in 2015-16. The table below shows the categories that ABS uses and Hiro management's estimates of the main distribution channels for these products.

Types of products	Main distribution channels
Toiletries and cosmetics	Grocery, independent retailers, department stores, pharmacies
Haircare products	Grocery, independent retailers, pharmacies
Oral hygiene	Grocery, independent retailers, pharmacies
Toilet soap and body wash	Grocery, independent retailers
Fragrances	Department stores, independent retailers, pharmacies
Deodorants	Grocery, independent retailers, pharmacies
Feminine hygiene products	Grocery, independent retailers, pharmacies

Source: ABS Household Expenditure Survey, Australia (2015-16) and Hiro management estimates

#### 2.2.2 Hiro's addressable market

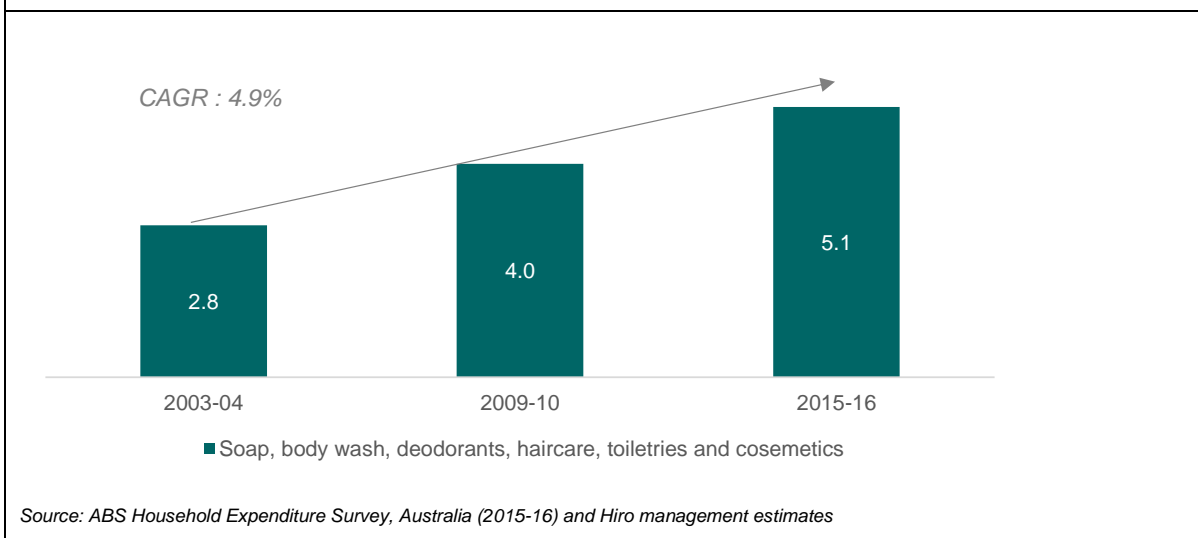
Of the estimated \$6.5bn that was spent on Australian personal care products in 2015-16, Hiro management considers, based on ABS household expenditure data, that the Company's total addressable market in toiletries, cosmetics, haircare products, deodorants, toilet soap and body wash products was around \$5.1bn in 2015-16.

Types of products	Estimated annual expenditure \$bn	Applicable to Hiro
Toiletries and cosmetics	\$3.1bn	Yes
Haircare products	\$1.1bn	Yes
Oral hygiene	\$0.7bn	No
Toilet soap and body wash	\$0.5bn	Yes
Fragrances	\$0.5bn	No
Deodorants	\$0.4bn	Yes
Feminine hygiene products	\$0.3bn	No
<b>Total</b>	<b>\$6.5bn</b>	
<b>Hiro's addressable market</b>	<b>\$5.1bn</b>	

Source: ABS Household Expenditure Survey, Australia (2015-16) and Hiro management estimates

Figure [2.1] indicates that annual household expenditure on toiletries, cosmetics, haircare products, deodorants, toilet soap and body wash products has increased between 2003-04 and 2015-16 at a CAGR of 4.9% per annum.

**Figure [2.1]: Annual household expenditure on Australian toiletries, cosmetics, haircare products, deodorants, toilet soap and body wash products (\$bn)**



### 2.2.3 Key Industry Drivers

- **Female population:** according to IBIS World, females aged 18 and older are the largest target market for cosmetic retailers. The number of females aged 18 and over is expected to increase from 10.2 million at 30 June 2021 to approximately 12.0 million at 30 June 2032 (insert footnote: Source: Centre for Population 2021, Population Statement: National Population Projections, 2020-21 to 2031-32, the Australian Government, Canberra).
- **Household disposable income:** changes in real household disposable income affects demand for non-essential cosmetics, and toiletries.
- **Green trends:** increased demand for new sustainable products which will likely result in industry firms expanding their range of ethical products.

Source: Centre for Population 2021, Population Statement: National Population Projections, 2020-21 to 2031-32, the Australian Government, Canberra

## 2.3. Overview of the Australian household cleaning products industry

### 2.2.4 Overview

Hiro management considers, based on ABS household expenditure data, that the size of the Australian household cleaning products industry was approximately \$1.7bn in 2015-16. The table below shows the categories that ABS uses and Hiro management's estimates of the main distribution channels for these products.

Types of products	Main distribution channels
Dishwashing detergents	Grocery, hardware, variety stores
Laundry detergents and softeners	Grocery, hardware, variety stores
Toilet cleaning products	Grocery, hardware, variety stores
Household polishes	Grocery, hardware, variety stores
Other household cleaning agents	Grocery, hardware, variety stores

Source: ABS Household Expenditure Survey, Australia (2015-16) and Hiro management estimates

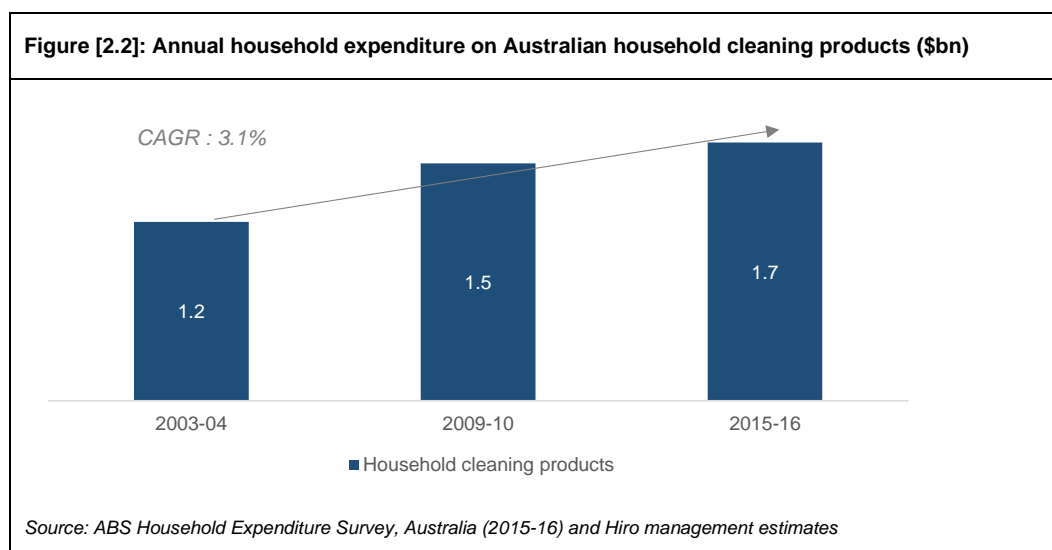
### 2.2.5 Hiro's addressable market

Based on ABS household expenditure data, Hiro management considers that the Company's total addressable market in dishwashing detergents, laundry detergents and softeners, toilet cleaning products and other household cleaning agents was around \$1.7bn in 2015-16.

Types of products	Estimated annual expenditure \$bn	Applicable to Hiro
Dishwashing detergents	\$0.4bn	Yes
Laundry detergents and softeners	\$0.8bn	Yes
Toilet cleaning products	\$0.2bn	Yes
Household polishes	\$0.1bn	No
Other household cleaning agents	\$0.4bn	Yes
<b>Total</b>	<b>\$1.7bn</b>	
<b>Hiro's addressable market</b>	<b>\$1.7bn</b>	

Source: ABS Household Expenditure Survey, Australia (2015-16)

Figure [2.2] indicates that annual household expenditure on household cleaning products has increased between 2003-04 and 2015-16 at a CAGR of 3.1% per annum.



### 2.2.6 Key industry drivers

- **Product innovation and range extension:** Hiro management considers that key factors that will drive Hiro's growth in the household cleaning products market are product innovation and portfolio extension. Innovations include increased functionality, new ingredients and fragrances.
- **Increase in sanitation and cleanliness:** demand for household cleaning products has increased due to increased consumer concern about health and hygiene. Over the past couple of years, consumers have been cleaning more to keep them safe from COVID-19 and due to being at home more.
- **Green trends:** according to IBIS World, consumers are moving towards green and natural products as they are eco-friendly and gentle for the skin and gentle on the planet.

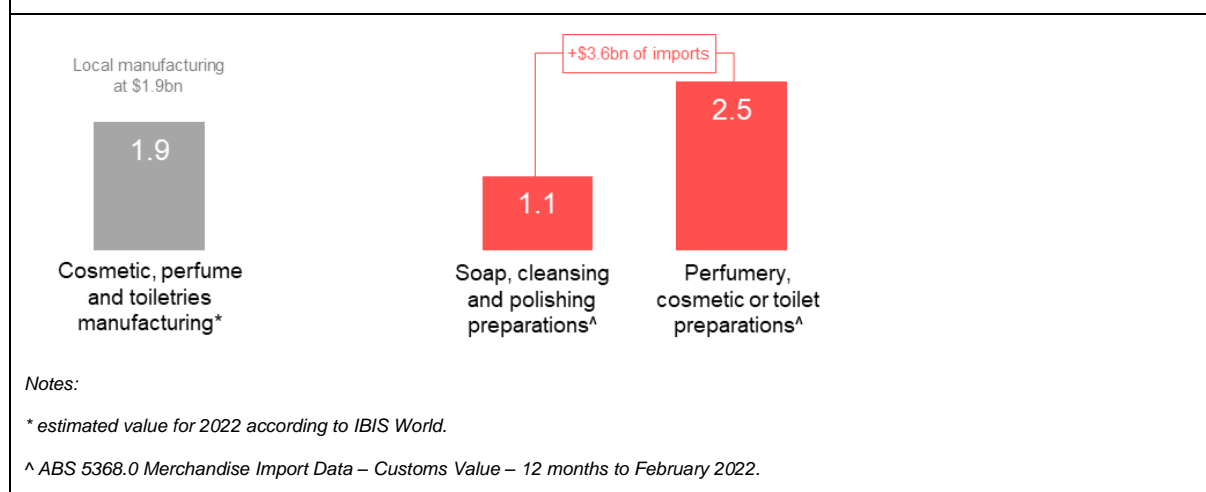
## 2.4. Relevant industry trends

### 2.2.7 Demand for Australian manufacturing

Global supply is increasingly unreliable and logistics are expected to be unstable for at least the near term. Therefore, having Australian made capability is now particularly advantageous. There is evidence that some multinational companies are seeking to re-establish key product production via local contract manufacturing having historically manufactured their brands overseas. Hiro management has recently engaged in several enquiries from peer competitors and retailers seeking to onshore their product manufacturing via local contract manufacturing.

The Company sees this as a potential growth opportunity as Hiro's management believes only a few Australian based companies can match the breadth of product range manufacturing and customer distribution that Hiro has in its core product categories.

**Figure [2.3]: \$3.6bn of cleaning and cosmetic products are imported pa**

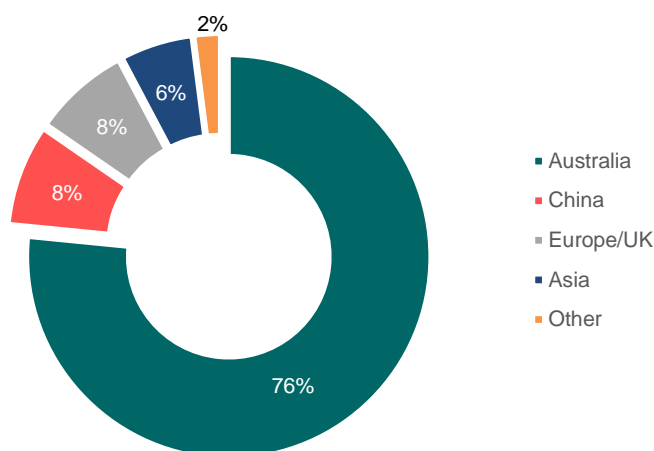


Based on ABS' Merchandise Import Data, the value of imports in Hiro's key product categories for the 12 months to February 2022 was:

- approximately \$1.1bn for soap, cleansing and polishing preparations; and
- approximately \$2.5bn for perfumery, cosmetic or toilet preparations.

Hiro management believe a portion of this \$3.5bn import market will shift towards local onshore manufacturing in the near future. According to IBIS World, local manufacturing of cosmetic, perfume and toiletries is estimated to be \$1.9bn in 2022.

As shown in Figure [2.4] below, approximately 76% of Hiro's core ingredients and finished goods were purchased in Australia in FY21 and the Company has preferred supplier agreements with many local component manufacturers (i.e., for bottles, labels, pumps, cartons, ingredients).

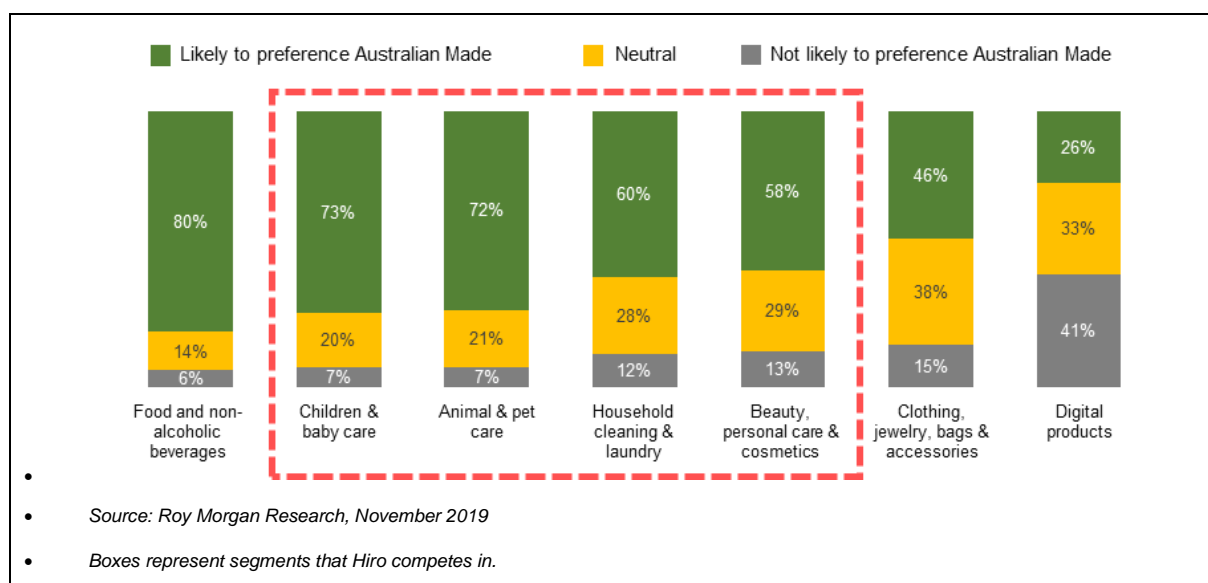
**Figure [2.4]: Sourcing of Hiro's purchases in FY21 by region**

Source: Hiro management estimates

### 2.2.8 Demand for Australian Made products

Hiro's management believes there is growing demand for more Australian Made products by consumers in Hiro's core product categories. As shown in Figure [2.5] below, according to Roy Morgan Research:

- 73% of respondents had a preference for Australian Made children and baby care products;
- 72% of respondents had a preference for Australian Made animal and pet care products;
- 60% of respondents had a preference for Australian Made household cleaning and laundry products; and
- 58% of respondents had a preference for Australian Made beauty, personal care and cosmetics products.



Australian made products have grown in popularity during the COVID-19 pandemic due to global supply chain shortages, rising costs and unreliable supply of everyday staples. Consumers are increasingly

focusing on easy to find verifiable brands in everyday product categories such as household care, personal care and cosmetics.

### 2.2.1 Demand for sustainable products

Hiro's ability to succeed as a company is strengthened by its commitment to doing good, and its ability to do good is underpinned by its growth. As a Company, Hiro is committed to providing good products for consumers, leading good behaviours and always being conscious of the footprint it leaves on the planet in everything it does to exceed its goals.

As a newly formed company, Hiro is commencing its journey to achieve new Environmental, Social and Governance (ESG) milestones for Hiro Brands Limited. As Hiro improves on and consolidates its operations, products and behaviours, Hiro aims to be a leader in the Australian industry for sustainable practices and reducing its carbon footprint by 2030. Hiro's commitment is to progressively reduce its environmental impact and use more natural resources more efficiently.

Hiro's ESG program has recently commenced as follows:

#### **Environmental Sustainability**

Hiro is currently striving to consolidate its business operations from three sites down to one over the next 12 months. This will have the impact of reducing Hiro's overall carbon footprint through less consumed energy, raw materials duplication, packaging, transport and water use.

Hiro are currently in discussions with providers to convert its main Dandenong South facility, a site Hiro calls 'Hiro City', into a self-sufficient generator of renewables. By 2025, Hiro aims to be a benchmark for efficient and sustainable manufacturing in Victoria, self-reliant for power and water on the site and having minimal waste generation.

With 22,000m<sup>2</sup> of factory roof available for solar power and rainwater capture, Hiro expects to use this benefit for powering production lines, LED lighting, boilers and office facilities. In addition, Hiro plans to use this roof area for capturing significant rainwater for onsite purification, storage and production use in its cosmetics, personal and homecare products, staff amenities and general on-site usage, coupled with more efficient waterless cleaning practices.

Hiro has already commenced using more recycled plastics in its packaging including exploring cardboard options, reducing excess packaging. Further Hiro is improving the separation and segregation of waste streams onsite from its landfill. This also includes operating a paperless warehousing operation and already having a strong participation in digital transactions with customers and suppliers. Hiro is a signatory to the National Packaging Covenant Organisation (APCO) and Hiro is proudly associated with Planet Ark and the National Asthma Council of Australia in its drive to be a more sustainable company.

Hiro is committed to an 'Australia First' sourcing policy with over 75% of its products and raw materials sourced domestically striving to reduce shipping waste, transport emissions on commodities and ensuring it continues to support innovative, sustainable local manufacturing. Hiro is increasing its focus on sustainably sourced ingredients with an aim that it will have all products recyclable, renewable, sustainably grown, natural or plant derived by 2025.

#### **Equality, Inclusion and Community Impact**

Health, safety and wellbeing is at the heart of what Hiro does and in all its products. Hiro is proud of its strong background in employee workplace safety and compliance. However, Hiro is constantly seeking to improve on this result through the consolidation of three sites into one main site, which will ensure improvements in safe workplace practices, regulatory compliance, equipment standardisation and will improve the wellbeing of our employees through providing standardised PPE/uniforms to all staff, improving amenities, equipment automation, increasing training and proactive safety improvement practices.

Hiro values workplace equality, equity and inclusion among the Board, senior executives and across the entire talent pool. The Company has embedded an ongoing program of staff skills training, multi-skilling and providing opportunities for staff to transition between functional roles. Hiro strives to provide a flexible workplace culture where practical, to ensure work-life balance and an ability for employees to work remotely so people can be themselves at their best.

Hiro is committed to workforce diversity and employs, across all its operations, a wide range of people from different backgrounds, skill levels, ethnicities and gender. Hiro's aim is to strengthen this program through providing additional workplace opportunities across graduate programs, apprenticeships, equal opportunities for local workers and community support for social services programs in the local Dandenong South community.

### **Ethics & Corporate Responsibility**

Hiro is proud that its cosmetics, laundry and personal care products are cruelty free, SLES and SLS Free, certified Palm Oil free, grey water safe and use plant based, natural and or organic ingredients as a priority. Hiro's colour cosmetics ranges MUD, Ulta 3 and essence are now all vegan and cruelty free products.

Hiro is a member of Accord Australasia, the peak national industry association representing manufacturers and marketers of hygiene, personal care and specialty products. Hiro supports the Voluntary Industry Code of Practice to support the Australian ban on Testing Cosmetics on Animals.

The Company's commitment is to only buy from ethical, responsible and sustainable sources, to consider the people in the supply chain, and to comply with local and international standards as a minimum around the Modern Slavery Act, animal health and environmental responsibility.

Hiro is committed to ensuring its corporate governance practices are maintained to the highest Australian standards through formal Board and management recruitment practices, ensuring relevant qualifications, transparent operational reporting practices, compliance to Australian Standards in legislative, audited accounting and ICT frameworks, having formal current Company policies, industry benchmarked remuneration frameworks and embedding ethical behaviours with all its staff, suppliers and customers. The Company has a Board of directors where the majority on the non-executives are independent, together with designated Committees for Audit and Risk and Remuneration. Hiro complies fully with the Corporate Governance Principles and Recommendations 4th Edition as published by the ASX Corporate Governance Council other than that the Chairman is also the chairman of the Company's Audit and Risk Committee (given his particular expertise).

### **3. COMPANY OVERVIEW**

#### **3.1. INTRODUCTION TO HEAT, AWARE AND HIRO**

##### **3.1.1. Overview**

Hiro Brands Limited (**Hiro**) is a new business resulting from the merger of the Heat Group and Aware Environmental (see section 10 for detailed information regarding the merger). Through the addition of new capital, a new Board an experienced FMCG Managing Director and CEO and a new senior executive team. Hiro has a vision and accompanying mission statement, to be one of Australia's leading producers and distributors for Australian made 'better for the planet and better for consumers' personal care, cosmetics, cosmeceutical and household cleaning products.

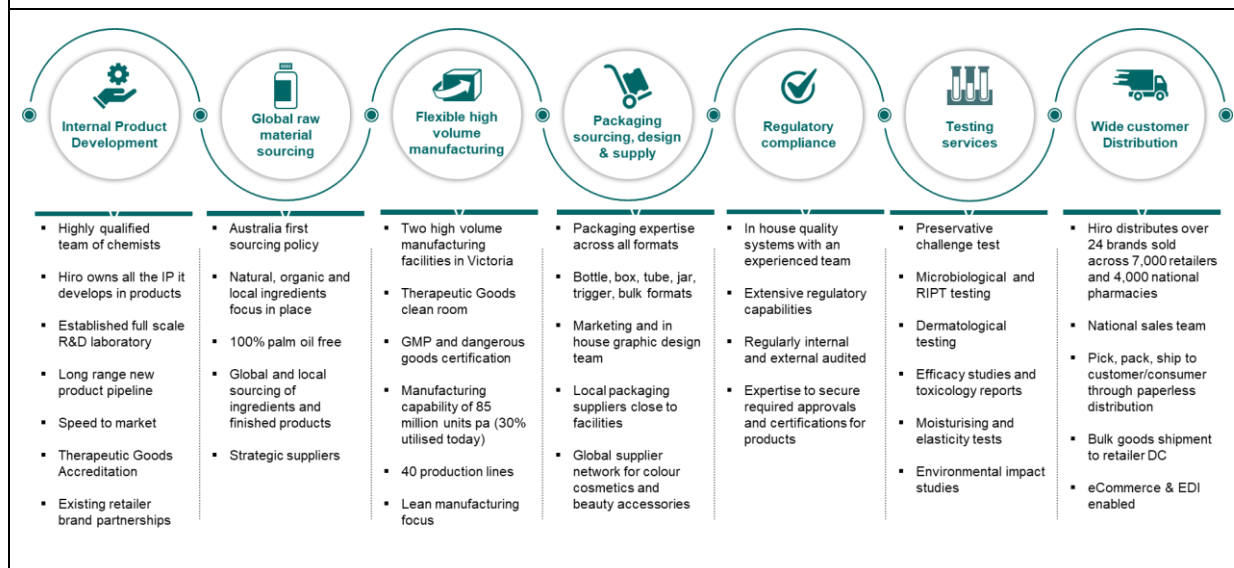
The compelling proposition underpinning Hiro is the combination of a strong existing retail/B2C distribution network, onshore flexible high volume manufacturing capability and an existing consumer brand portfolio of attractive consumer products and brands accessing a wide portfolio of diverse customer channels. Hiro has a valuable national distribution network across 7,000 retailers distributing products including major supermarkets, variety retailers, department stores, beauty retailers, a growing eCommerce platform including approximately 4,000 pharmacies.

Hiro aims to become a leading platform for sustainable everyday consumer products; products that play a key role in the lifestyle and wellbeing of consumers such as cosmetics, household care, beauty accessories, therapeutic and personal care products. Hiro's technical capabilities are well positioned to develop sustainable products that support the macro trend for conscious purchasing. This will appeal to a broad group of consumers who want to do good everyday by using products that support the values of a sustainable future and products that are better for the planet. The Company also believes that there is an opportunity to not only curate and develop such products itself, but to actively identify, manufacture and market (and even invest in) the new innovative 'good' consumable products created by others who lack the resources to bring them to market.

Hiro's business model is supported by leveraging the existing Heat national distribution network (outlined below in section 3.3) which allows Hiro to grow its own broad manufactured product range and brand portfolio penetration more quickly than from a standing start. Previously, the Aware business did not have access to these customers and relied on a traditional grocery sales model for its range of cosmetic and household cleaning products.

Further, through Aware's local R&D capabilities, TGA approved facilities and flexible manufacturing capabilities (outlined below in section 3.3), the Heat distribution network (retail and eCommerce) is now able to access many exciting and new locally made cosmetic and cosmeceutical products not previously available to its customers, thereby reducing reliance on 3<sup>rd</sup> party distributor brands and enabling Hiro to become a fully integrated manufacturer and distributor in Australia, NZ and abroad of these products.

As shown in Figure [3.1] below, Hiro's management believes it has the intellectual property (**IP**), experience, expertise to design, formulate, produce and distribute products from concept to final distribution to the customer.

**Figure [3.1]: Hiro provides customers a full-service operation across its entire value chain**

### 3.1.2. Company history

Aware and Heat were established in 1994 and 2000 respectively. The decision to merge Aware and Heat was made in 2021 recognising the unique properties and potential of these two well-established companies combined.

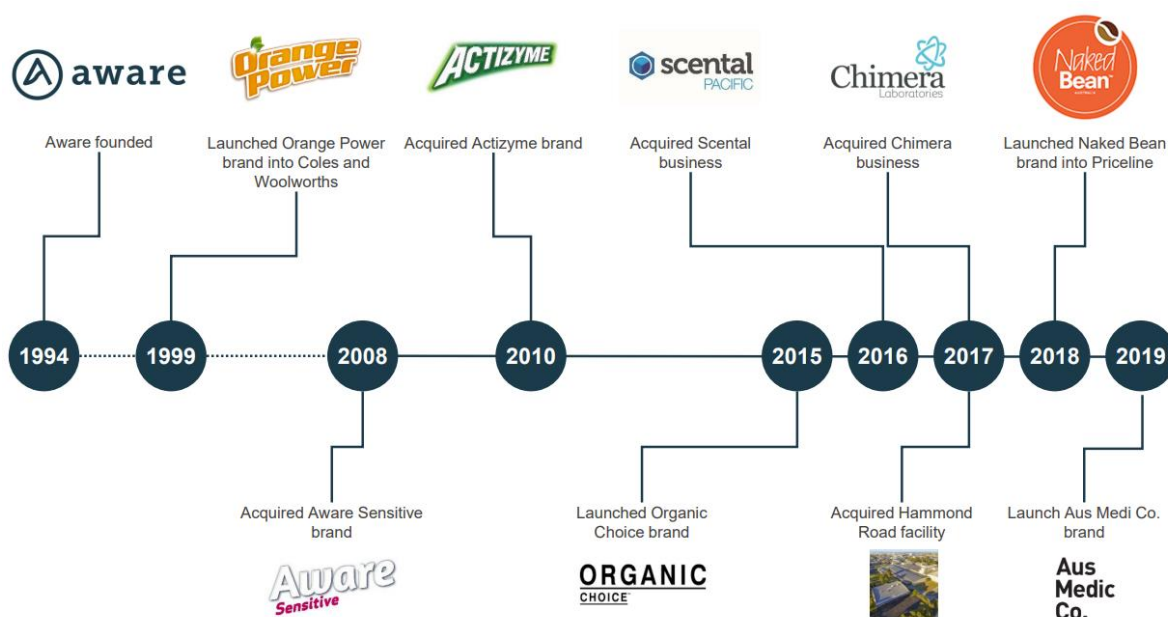
During late 2021 and early 2022, new management and a new Board were appointed and the process of integrating the operations of the two companies, and establishing the new Hiro brand, commenced.

A principal driver in the decision to merge Aware and Heat has been the unique opportunity to leverage two synergistic businesses - Heat's wide national retail beauty distribution network with Aware's large scale Australian cosmetics and personal care product manufacturing capability. Merging the entities captures natural synergies between a diverse retail/B2B customer base with a portfolio of high demand and non-seasonal everyday consumer products.

Further, listing the newly merged entity on the ASX will assist to generate an investment in working capital required to support and accelerate the organic growth of the existing and expanding portfolio of attractive consumer brands and products in meeting Hiro's vision of becoming Australia's leading producer and distributor for Australian made 'better for the planet' personal care, cosmetics, cosmeceutical and household cleaning products.

#### Aware

Aware was founded in 1994 as a contract manufacturer of consumer and household cleaning products. In 1999 it commenced selling its own range of cleaning and air freshener products under the "Orange Power" label through Coles and Woolworths. This product line continues to be stocked by both supermarket chains today. Since then, Aware has acquired several additional brands and further developed its manufacturing capabilities both for its own branded products and for its contract manufacturing customers.



Today, Aware is a manufacturing, marketing and distribution company selling its own proprietary branded consumer products in the personal care, cosmeceuticals, cosmetic and homecare markets. In addition to selling its own branded products, Aware is also one of Australia's leading contract manufacturers of cosmetic, TGA and personal care products supplying to several large brand owners and supermarket retailers: <https://www.awareenvironmental.com.au>.

A key competitive advantage for Aware is that it also owns the formulation IP for the majority of its own and contracted product formulations, except in a small number of instances where the formulation has been supplied by a contract manufacture brand owner. This ensures that Aware retains its development IP and can leverage these formulations across its business more efficiently and cost effectively where appropriate. Each contract manufacturing customer is engaged through a formal supply contract with Aware outlining the terms of business.

Aware sells its products through major supermarkets, pharmacies, hardware stores, gift shops and major retail stores. Some of Aware's major own brand products include Orange Power, Organic Choice, Naked Bean, AusMediCo, Trix, Stain Magic and Aware Sensitive. The Company manufactures and distributes products under the Actizyme brand. The Company currently does not own the Actizyme brand or the intellectual property rights for the production of Actizyme products and manufactures and distributes them under licence. The Company has entered into an agreement to purchase the Actizyme brand and intellectual property. See section 9.3.5. \$2,500,000 has been allocated from the proceeds of the Offer for this purchase.

Some of the quality brands that Aware has contract manufacturing agreements with include Thank You, Redwin, Rosken, Lacura (Aldi), Sard, Brutal Truth and LPO (Coles).

As mentioned above, as well as contract manufacturing, Aware undertakes end to end product development for third party brand owners. Typically, Aware retains the rights to any intellectual property generated through product development, creating customer retention and ensuring cost control.

Aware employs its own internal and experienced national sales team to manage its company brand portfolio in grocery customers and its contract manufacturing relationships. A third party field sales team is engaged to support promotional, shelf and product distribution activity in major grocery stores as required.

Aware had FY21 revenue of approximately \$72m split between contracted brands (65%) and owned brands (35%), principally sold through grocery.

## Heat

Heat is a marketing and distribution company that was incorporated in May 2000 and commenced its business and operations with a distribution contract for Procter & Gamble. From 2001 to 2021, Heat progressively built up a portfolio of distributed and owned brands in the wellness, beauty and cosmetics

sector. Today, Heat develops brands from conceptualisation in-house, acquires brands outright, and manages the marketing and sales distribution of other brands, predominantly across Australia and New Zealand: <https://www.heatgroup.com.au/>.

Heat's owned brand portfolio includes ulta3 colour cosmetics, MUD colour cosmetics, Billie Goat, Fluerique, Body Tools beauty accessories, Windsor men's grooming accessories and Medi-Manager health aids. Heat is also the exclusive Australian national distributor for the essence brand of colour cosmetics, supplied by Cosnova GmbH, a colour cosmetics market leader in Europe and the UK. A long term agreement with Cosnova is in place until 1<sup>st</sup> July 2025 with a mutual option to renew for a further term.

In November 2016, Heat acquired Doward International and with it acquired a mix of brands which it distributes, this includes exclusive national distribution agreements into pharmacies for iconic brands such as Mason Pearson (grooming), Simpkins (travel sweets), Mack's (ear plugs), Growth Bomb (hair supplements), Mr. Bright (teeth whitening) and the Wheat Bag (body relief). The Company also distributes several mainstream confectionary brands, which it now views as non-core to the future business and is in a process of reducing its product lines in this category over the coming 12 months.

Heat's brands can be found in Woolworths, David Jones, Target, BIG W, Chemist Warehouse, Woolworths, Priceline and across a national network of approximately 4,000 pharmacies. Heat offers the highest coverage for independent pharmacy distribution in Australia with an experienced, in house and highly regarded national pharmacy sales team. The relationship-based model is core to Heat's capability and underpins its ability to sell new products and focus on appropriate product management across each territory.

A separate in-house national account management team manages all Heat's major corporate clients including retail customers such as Woolworths, Aldi, corporate pharmacies (Chemist Warehouse and Priceline) and large format retail outlets such as Kmart, Big W and Target.

Heat had FY21 revenue of approximately \$23m split between owned brands (approximately 44%) and third-party brands which it distributes (approximately 56%). Approximately 98% of sales are in Australia with 2% in New Zealand and a small volume of sales in the United Arab Emirates. Approximately 74% of Heat's FY21 revenue was from sales to pharmacies with the balance from sales to other retailers and a small amount (approximately 2%) from online sales.

Since the formation of Hiro, the Company has been exiting distributor line product ranges that are no longer considered as core to the future Hiro strategy, including general confectionary and other smaller distributor brands where there are either small volumes or no exclusive distribution arrangements. This exit is facilitating the substitution of revenue and reduction of business complexity for internally manufactured Aware skin cosmetics, TGA cosmeceutical products (products that have both cosmetic and therapeutic properties) and innovation in new premium skin care brands and products that are more relevant to the customer channels and future growth strategy of Hiro.

## **Combining Heat and Aware**

When entities led by BRC Capital acquired operational control of Heat Group, Heat had been underperforming due to an over reliance on lower margin third party products, a far too broad product range and undercapitalisation of the business relative to the asset base and customer demand. Together, this placed pressure on customer order fulfilment levels, sales focus, working capital and obsolescence.

When Heat Holdings obtained control of Aware in October 2021, the entity had been operating in a constrained environment due to lack of access to working capital, leading to poor ability to procure required raw materials, deliver customer order fulfilment and high levels of manufacturing under performance. Aware's premium brand sales growth had taken a lower priority to winning low margin contract manufacturing clients and this shift in margin mix further put pressure on cash flows.

Following taking effective control of Aware, BRC Capital implemented a transformation program, to better position the combined entity. The key initiatives undertaken by BRC Capital includes:

- hiring a capable new FMCG management team and experienced consumer goods turnaround CEO (Steven Chaur);

- undertaking a full strategic review of the operations and implementing a program to improve procurement strategies, sales and operations planning, machine performance and labour planning, warehouse and delivery optimisation, as well as undertaking minor repairs and maintenance to improve machine through put rates;
- stabilising the grocery and pharmacy customer base through the transition in preparation for accelerated growth. This included engaging customers on improving underlying delivery performance levels, reviewing promotional strategies, presenting innovation and ensuring core brand ranging;
- exiting inefficient or non-profitable contract manufacturing customers and successfully improving customer price recovery where necessary across the board to offset input price movements and correcting manufacturing recoveries where required;
- right sizing the merged entity fixed overhead costs and backfilling critical operational roles to re-energise the business in quality, marketing, research and development, manufacturing and finance. A new skilled executive and second tier leadership group was formed;
- instilling a new long range single business strategy, establishing a new regular Board program, unifying a single Hiro team culture and focussing on operational best practices. The combined entity now operates as one Hiro business with common business systems and leadership;
- accelerating the investment in information, communications and technology (ICT) and consolidating the two company business systems has begun moving to one common Hiro platform; and
- investing in working capital to support business recovery and establish a consolidated business. The Company is now ready for the next growth stage.

### **3.2. CURRENT MANUFACTURING AND PRODUCT DEVELOPMENT CAPABILITY**

With its origins in brand and contract manufacturing, Aware has substantial capabilities in flexible manufacturing and innovative product development. Meanwhile Heat's strengths lie in marketing and distribution. As such, when these operations are combined it places Hiro in a strong position to provide a unique and unequalled offering to the Australian retail market in the cosmetics, homecare, beauty accessory and personal care products sectors.

#### **3.2.1. Aware manufacturing facilities**

Aware operates two substantial manufacturing facilities on leased land at Dandenong South in Victoria, one in Hammond Road and one in Healey Road. As well as manufacturing its own branded range of consumer products at both these facilities, Aware also contract manufactures personal care, skin care, TGA and homecare products for third parties including brand owners and major retailers.

Major local manufacturing competitors to Aware include Pental, Natures Organics and FGB Natural Products.

##### **Hammond Road**

The main Aware Hammond Road facility includes a TGA licenced 'clean room' capable of supporting the manufacture of non-sterile Registered (AUST R) products in the semi-solids and liquids group and Listed (AUST L) topical sunscreen products in the semi-solids and liquids group. Non-therapeutic products manufactured in the 'clean room' also meet the requirements for certification under the international standard for Cosmetic Good Manufacturing Practice (GMP), ISO 22716.



The Hammond Road site (pictured above) is a 69,000m<sup>2</sup> site with 22,000m<sup>2</sup> being under roofing, and includes the following key features and functions:

<i>Production lines:</i>	27 production lines including 4 TGA
<i>Product types:</i>	Laundry power/liquids, cosmetics, hair care, sunscreens, lip balms, lotions, deodorants and ointments
<i>Infrastructure:</i>	Fully equipped onsite R&D lab, QC lab and warehousing for raw materials and finished goods
<i>TGA facility:</i>	2,000m <sup>2</sup> TGA clean room
<i>Certification:</i>	TGA GMP (Registered and Listed), RSPO, Halal, SMETA and Cosmetic GMP (ISO22716) certifications

## Healey Road



The Healey Road site is a satellite manufacturing operation occupying a 19,000m<sup>2</sup> site with 9,500m<sup>2</sup> being under a roof, and includes the following key features and functions:

<i>Production lines:</i>	13 production lines (no TGA)
<i>Product types:</i>	Pump hand soap and lotions, dishwashing liquid, laundry powder (bulk), cosmetic clays
<i>Infrastructure:</i>	Fully equipped onsite QC lab and warehousing for raw materials and finished goods

Both sites are currently leased, with the Healey Road lease expiring in December 2023 while the Hammond Road lease is currently two years into a 20-year term. There is a strategy in progress to integrate both the manufacturing sites into one main manufacturing centre of excellence during early 2023, with the plant and equipment to be located to 282 Hammond Road in Dandenong South.

To facilitate this integration, Hammond Road's manufacturing halls have commenced being upgraded to accommodate the relocation, including negotiations with the landlord on an earlier exit of the Healey Road site.

Some minor capital works will be required to accommodate the additional production equipment including upgrades to ingredient batching areas, materials transfer services and site services. The relocation is estimated to take approximately two months from start to finish and is estimated to be a one off cost of approximately \$1.3m, including the cost of relocating the entire site, remediation works, reinstallation of equipment and any redundancies. The Opex benefit of this project is estimated to be around \$1.8-2.0m per annum.

This integration will not only improve Hiro's overall manufacturing efficiencies, production planning and customer service levels, but it will also reduce working capital costs in operating leases, production labour, raw materials flow and inter-company manufacturing logistics. The Hammond Road site has available production space and services for future new onsite expansion, including the integration of the Healey Road equipment, warehousing and staff.

With utilisation at around 30%, there is significant latent capacity in the manufacturing assets to take on more volume and immediate ability to service growth without any major capital investment. Hiro has the capability to manufacture a broad variety of products, pack sizes and formats on current equipment for a range of customers/market channels in good-better-best price and quality formats.

### **3.3. CURRENT MARKETING AND DISTRIBUTION CAPABILITY**

Both Aware and Heat have considerable internal marketing and distribution capabilities, in terms of brand management, R&D ideation and delivery, field sales and instore promotional support. When combined, this provides Hiro with a solid foundation to grow the company further organically within the scope of current products, customers and market channels.

#### **3.3.1. Heat marketing and distribution capability**

Heat has expertise in all touchpoints to develop, source, market and distribute consumer brands, owning or managing over 40 brands across beauty, healthy living and snack food segments

Similar competitors to Heat include McPherson's, Heritage Brands, Total Beauty Network and BWX.

Heat does not manufacture any of the products that it develops, markets and distributes. Some of the products it distributes are manufactured and branded by suppliers to Heat (i.e., Simpkins, Mason Pearson, Growth Bomb, essence, OZKO), and in other instances Heat arranges the contract manufacture of the products it markets under its own brands (i.e., MUD, Ulta3, Billy Goat, Medi-Manager, Body Tools.). Fluerique, Billy Goat and Windsor are examples of Heat brands that are planned to be transitioned from 3<sup>rd</sup> party manufacturers into the Aware manufacturing model.

The intention is that Hiro will manufacture current Heat branded products in the future as well as a suite of new products/brands relevant to the variety, corporate and community pharmacy, as well as eCommerce distribution channels.

### 3.3.2. Heat distribution centre

Heat operates from a modern 5,500m<sup>2</sup> clear span warehouse and distribution centre in the Caribbean Business Park located at 11 Dalmore Drive, Scoresby, Victoria and has over 50 employees. Hiro's corporate office and administration is now located at this site.

<i>Pallet spaces:</i>	2,700 pallets
<i>Product types:</i>	Colour cosmetics, personal care products, household products, eyewear, beauty products, pharmacy health aids, confectionary
<i>Infrastructure:</i>	Paperless electronic data interchange ( <b>EDI</b> ) warehouse operations with radio frequency ( <b>RF</b> ) based order picking. Pick-pack as well as full pallet dispatch to customers. Hiro corporate head office, sales and marketing, finance and logistics

This location is where the Heat business has operated from for the past three years and the site is leased until 30th June 2023. The Company plans not to extend its lease beyond mid-2023 and negotiations are underway for an earlier lease termination with a suitable warehouse building already identified at the Hammond Road site to accommodate the Scoresby distribution operations. If the site is relocated to the Hammond Road site in late 2022, following a successful early termination of the lease the relocation could result in rent and outgoings saving of circa approximately \$900k per annum once completed, based on the current Scoresby costs. A one off relocation cost is estimated at circa \$450,000.

From this facility, the Heat business receives inward deliveries, warehouses, pick-packs orders and then distributes the wide range of Heat products to around 7,000 customers nationally across grocery, pharmacy and variety customers. Heat also services clients in New Zealand and the Middle East from this location.

Relocating the full range of branded finished goods from Aware's Dandenong South warehouse site to this location will improve overall company logistics efficiency, customer service levels, reduce overall operating costs and ensure a broader range of Hiro product can reach Heat's wide national network of customers. The facility has room for further sales growth post this warehouse consolidation.



Deliveries take the form of full pallets, mixed pallets and consolidated individual item consignments to customers via third party national parcel and bulk freight providers. The Scoresby warehouse operates an integrated Warehouse Management System into a Pronto based ICT platform using Radio Frequency (**RF**) gun based order picking technology, has EDI interaction with major retail customers and is a

paperless picking operation. The facility has the immediate capability to service a direct to consumer eCommerce model with little or no additional operational investment, other than marketing costs.

### 3.4. BRANDS / PRODUCTS OVERVIEW

#### 3.4.1. Overview

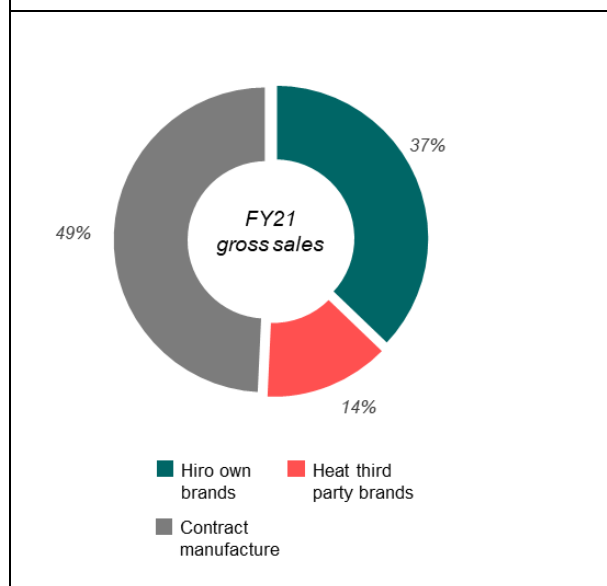
Hiro's consolidated product portfolio includes popular consumer brands in high volume, non-seasonal product categories. This includes discretionary colour cosmetics and beauty products (higher margin but lower volume) as well as non-discretionary personal care and household cleaning products (lower margin but higher volume).

Contract manufacturing is typically a lower margin return business model however the Hiro medium term business strategy is to realign from manufacturing for many small volume cosmetics clients with complex ranges to securing higher volume product ranges from major grocery, variety store and corporate pharmacy own brands. This will reduce operational complexity, ensure efficient asset management and deliver improved overhead recoveries. Hiro's focus will be on having fewer but larger volume contract manufacturing clients ideally directly with retail customers.

In addition, the Company is also accelerating its immediate focus on its own core brand sales growth to improve company margins through premium product innovation, increasing distribution of current ranges with customers and expanding its product portfolio into new market channels such as hardware, foodservice, industrial cleaning, hair salon and pet/vet with Hiro's wide range of existing manufactured products and brands delivered in new formats. This strategy is now underway and the capacity to execute with existing R&D is within the current business operations.

Figure [3.2] shows the composition of the Company's FY21 gross sales from Hiro's own brands, contract manufacturing and Heat third party brands. Hiro's goal is to increase revenue from Hiro's own brands from around 37% in FY21 to 60% in the long term.

**Figure [3.2]: Hiro's FY21 gross sales by revenue type**



#### 3.4.2. Hiro own brands

Some of the main brands include:

- *Organic Choice*: makes luxurious, premium and natural personal care, home care, pet care and air care products;
- *Aware Sensitive*: makes products with low allergy, skin sensitive laundry cleaning formulas;
- *Orange Power*: uses plant based, renewable ingredients to make domestic cleaning products;

- *Actizyme*: plant based biological odour eliminator and cleaner for household or industrial uses; and
- *Trix*: antibacterial and biodegradable homecare products.
- *Stain Magic*: chlorine and palm oil free natural cleaners for household applications.
- *AusMediCo*: a range of natural cosmetic and topical TGA manufactured products for home healthcare
- *Ulta3 and MUD*: vegan and cruelty free ranges of colour cosmetics sold in to Pharmacy and Grocery channels respectively
- *Billie Goat*: a range of goat's milk based cosmetic products for dermatological conditions

Figure [3.3]: Hiro's brands



Hiro plans to invest in its core brands through digital consumer media, in store point of sale and retailer promotions to increase brand distribution, product awareness and ultimately increased sales with retailers.

Hiro branded product innovation across these brands will drive premiumisation of the business and volume, leading to improved margins for the Company. A key reason for Hiro's ability to execute on its own brand strategy is due to it having an extensive library of proprietary product formulas and associated R&D IP across many product formats and applications. These formulations have been developed over time through previous core brand product ranges, ongoing R&D development and formulations developed over time by Aware for other brands, which remain proprietary to the Company. With this capability, Hiro can spread its margin risk across many customer types and sales channels, as well as deliver speed to market.

### 3.4.3. Contract manufacturing

Hiro provides contract manufacturing to several customers as outlined in section 3.5.

A key reason Hiro undertakes contract manufacturing is that it enables Hiro to engage with brand owners and retailers to increase production volumes, support factory efficiency and recover overhead costs to assist the broader business activities. It also enables the Company to keep up to date with new product insights and innovations.

Hiro's future strategy is to remain in contract manufacturing but with a greater focus on securing contract manufacturing volumes direct with major grocery, variety and corporate pharmacy customers for high volume consumer brands, with less of a focus on smaller volume customers than in the past. The Company will also extend its contract manufacturing to include high volume household cleaning products, not just cosmetics and personal care products.

The Company currently produces a range of cosmetics, handwash and TGA certified products for a contracted manufacturing client base that includes Pharmcare, Coles, Aldi, Henkel, Arrowtex, Thank You, Heritage Brands and Nice Pak. These customers have formal supply agreements with Hiro

specifying products, supply terms and duration. Many of these customers supply their products into the same distribution channels that Hiro sells its own brands into.

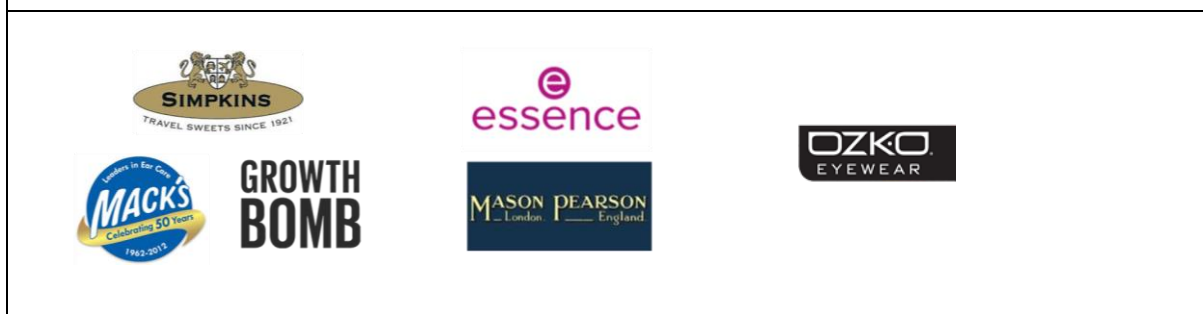
Currently contract manufacturing volumes represent around 53% of the total Hiro annual volume output, however this share of business has been much higher in previous years due to a larger number of smaller contract clients, some of which are no longer supplied by Hiro due to customers seeking alternate supply or Aware opting to exit the contract due to low efficiencies. Hiro's competitors in this sector include Pental and Jalco Group for household products. In cosmetics, Hiro's major competitors include Pax Australia, Natural Beauty Care Group, Ensigen Laboratories and Jalco Group.

As outlined above, contract manufacturing will remain a key growth strategy for Hiro in the future, not only with Hiro's valued current and new clients, but also through a greater focus on 'direct to end customer' supply of private label products into major grocery, discount chemist and variety store retail customers. Hiro intends to be primarily a company brand focused company, complimented with a strong portfolio of retailer and contract brand manufacturing customers.

#### 3.4.4. Exclusive distribution

Hiro exclusively distributes for several brands as shown in Figure [3.5] into the pharmacy sales channel in Australia. Third-party brand contracts allows Hiro to offer a broader range of complimentary and relevant products to its pharmacy customers, which helps support Hiro's core range of brands, supports a margin mix, spreads sales seasonality risk and ensures Hiro has unique products that can only be purchased from Hiro sales personnel.

Figure [3.5]: Brands that Hiro exclusively distributes for

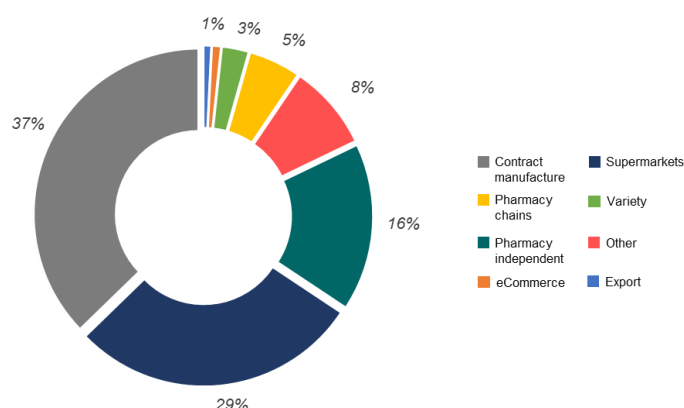


#### 3.5. CUSTOMERS / DISTRIBUTION CHANNELS

Hiro principally manufactures everyday products that are relevant to and appeal to a wide variety of consumers, customer channels and applications.

One of Hiro's major competitive advantages is its substantial national distribution network, customer reach and flexibility in being able to service each of these customers daily. This includes large corporate retailers with full semi-trailer loads of product into a large distribution centre, to a small pharmacy in regional Australia will a small order of mixed cosmetic products or shipping direct to a consumer ordering several Hiro brand beauty products online. This logistics flexibility ensures the company's future ability to drive sales growth, leverage its manufacturing capabilities and be less reliant on one customer type or sales channel.

As shown in Figure [3.6], Hiro has a diverse range of customers and distribution channels and no one customer represents more than 15% of the Company's revenue (year to date FY22 gross sales from 1 July 2021 to 6 April 2022).

**Figure [3.6]: No one customer represents more than 15% of the Company's revenue\***

Note: \* YTD FY22 gross sales from 1 July 2021 to 6 April 2022.

### 3.5.1. Pharmacies

The Company's pharmacy customers include national groups such as Chemist Warehouse and Priceline, as well as independent community pharmacies such as Terry White, Guardian, Amcal, Pharmacy Alliance, Direct Chemist Outlets and other independent outlets. The Company plans to continue to invest in new product development in its own brands, as well as exclusive brands, to grow with these customers in the future.

### 3.5.2. Grocery stores

The Company currently sells directly to Coles, Woolworths, ALDI and via distributors in each state to major independent supermarkets and Costco. The Company is actively pursuing growth strategies to expand its core range and increase the number of relevant categories that its branded, premium and more natural products that can participate in with supermarkets. This includes targeting high volume contract manufacturing tenders for retail brands and having branded products ranged directly in Metcash to facilitate product access to independent multi-site operators.

### 3.5.3. Department stores

The Company currently has business with David Jones, Big W and The Reject Shop with its branded manufactured products. Hiro plans to further grow with these large customers with additional ranging of brand premium products as well as contract manufacturing opportunities with their own brand ranges of cosmetics and personal care products.

### 3.5.4. Online/ Technology Platform

The Company has several web platforms already established to interact online with both customers (EDI) and consumers through Shopify, a third party eCommerce platform. This latter platform is directly integrated with Hiro's Pronto enterprise system allowing customer orders to be directly managed seamlessly through the supply chain operations. The Company is currently migrating the Heat Pronto platform into the Aware MYOB Greentree enterprise system. This migration should be completed before the end of 2022 and will allow the Company to operate on one ERP system for its business activities.

## 3.6. HIRO's capability summary relative to competitors

As shown in the figure below, Hiro provides a full-service operation across its entire value chain, covering many service and product categories.

**Figure [3.7]: Hiro's capability**

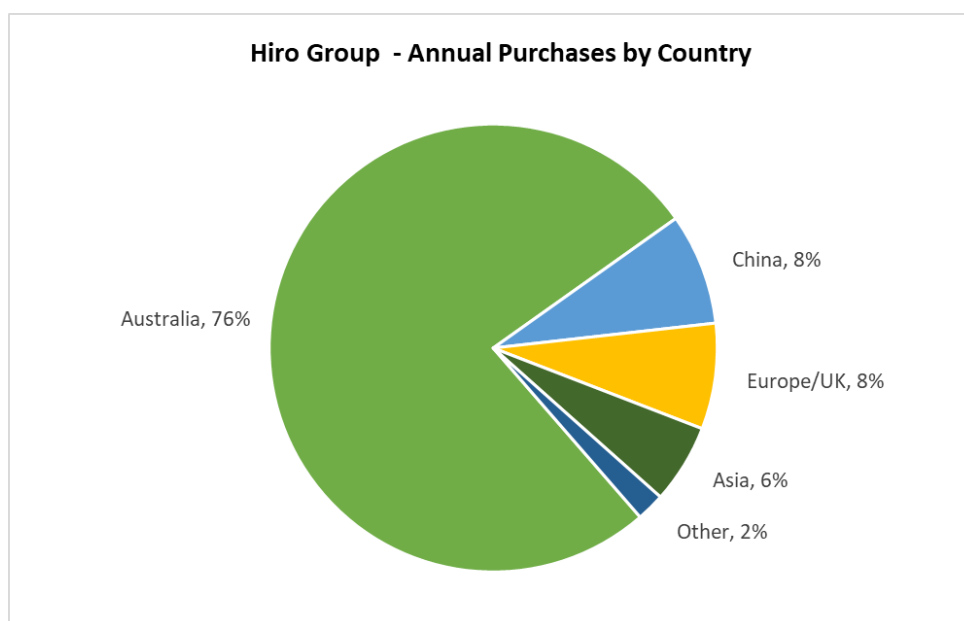
		Hiro Brands	McPherson's Ltd	Pental Ltd	BWX Ltd	Proctor & Gamble
<b>Categories Served</b>	Personal Care	✓				✓
	Laundry	✓		✓		✓
	Household Cleaning	✓		✓		✓
	Skin Cosmetics	✓	✓		✓	✓
	Colour Cosmetics	✓				✓
	Health & Beauty Aids	✓	✓			✓
<b>Customers Served</b>	Internal TGA Manufacturing	✓				
	Grocery	✓	✓	✓	✓	✓
	Variety	✓		✓	✓	✓
	Pharmacy	✓	✓		✓	✓
	Commercial	✓		✓		✓
	eCommerce	✓	✓	✓	✓	✓
	CMO	✓		✓	✓	✓
	Export Markets	✓	✓	✓	✓	✓
	Government	✓		✓		✓
<b>Business Capability</b>	Brand Owner	✓	✓	✓	✓	✓
	Internal own Manufacturing	✓		✓	✓	✓
	Direct to Customer distribution	✓	✓	✓	✓	✓
	Own national sales force	✓	✓	✓	✓	✓
	Internal R&D/QC	✓	✓	✓	✓	✓

Source: ASX announcements and Hiro management estimates.

### 3.7. PROCUREMENT BREAKDOWN

As illustrated below approximately 76% of all product/ raw materials come from Australia. This supports Hiro's 'Australia first' sourcing policy and evidences the benefits of being a local business.

The focus on local sourcing in Australia assists the Company with surety of materials inputs supply, particularly with the current global supply chain constraints, ensuring the company has control over its raw materials, meeting its customer order obligations and fostering R&D relationships with local ingredient suppliers. The Company has a very low exposure to supply from Asia and China, with only around 14% of inputs coming from these regions.

**Figure [3.8]: Hiro's annual purchases by country**

### 3.8. REGULATORY APPROVALS AND CERTIFICATIONS

Some of the products manufactured or supplied by Hiro are classified as therapeutic goods and are regulated under the Therapeutic Goods Administration (**TGA**) regulatory framework. These products cannot be manufactured or supplied to a person in Australia unless they are registered by or listed with the TGA.

In order to manufacture therapeutic goods in Australia, a person must hold a licence issued by the TGA. A holder of a TGA licence must maintain a certification for Good Manufacturing Practice (**GMP**) and adhere to applicable GMP principles. This certification is subject to a national inspection program, in which the TGA grants the company approval to continue manufacturing under the licence. Hiro holds a TGA licence for its main site at Hammond Road Dandenong which contains a TGA approved clean room manufacturing facility. Currently the products manufactured at this facility represent a small part of the overall manufacturing site volumes (<5%) given that not all manufactured products in the Hiro brands or contract manufacturing portfolio require TGA approval. However, the Company is anticipating strong volume growth from this facility in the future. In addition, the accreditation of the site presents a significant competitive advantage to Hiro because this type of accreditation is difficult to obtain and is therefore a significant barrier to entry.

In order to supply a therapeutic good in Australia, it must first be registered or listed on the Australian Register of Therapeutic Goods (**ARTG**). The requirement to either register or list a product on the ARTG represents the two-tiered system for the regulation of therapeutic goods in Australia. Goods must be registered or listed depending on assessed level of risk. Hiro's main TGA products are currently sunscreens, which are only required to be listed. Hiro has an experienced quality management team responsible for maintaining registration and listing of Hiro products with the TGA and all products currently supplied by Hiro are appropriately registered or listed.

There are some other forms of regulation that apply to Hiro products, and other types of certification that are not regulatory requirements but are either required by contract manufacturing clients or are commercially desirable. Hiro meets all of these regulatory requirements or requirements for certification. In addition, the marketability of several Aware products is substantially enhanced by maintaining certifications such as Cosmetics GMP (**ISO**) certification, Halal certification, Responsible Sourced Palm Oil (**RSPO**), Sedex Members Ethical Trade Audit (**SMETA**) and Asthma Council endorsement.

### 3.9. HIRO - MISSION AND VALUES

#### 3.9.1. Vision, Mission and Values

As outlined, Hiro aims to be Australia's leading manufacturer and distributor for Australian made '*better for you and the planet*' cosmetic, personal care and household care consumer products.



#### PURPOSE

Create and provide consumers with quality, sustainable products that make it easier to 'do good'

#### VISION

A future where buying what you need won't harm people or planet

#### VALUES

- Be a challenger
- Walk the talk
- Active sustainability
- Credible
- Innovative

**Choose your good**

As a first-class sustainable manufacturer with multi-channel capability, the Hiro proposition is both unique and in demand from retailers and brand owners. As the business continues to evolve, exclusive opportunities to partner with retailers and grow within leading beauty and household product distribution

channels will be a major focus both through proprietary branded and retailer brand manufactured beauty products.

Hiro's core objectives are to:

- become a trusted leader in the manufacture and distribution of Australian made personal care, cosmetics, cosmeceutical and household cleaning products;
- continually aspire to make effective and more natural everyday products that are better for consumers and better for the planet;
- develop a portfolio of innovative, trusted consumer facing brands sold through a diversified multi-channel retail, consumer and commercial customer base across the region in which Hiro operates;
- be a trusted partner working with major retailers and pharmaceutical retailers on developing local R&D, brand design and manufacture of high-volume, quality product ranges as Australian made sourcing product strategies continue to become more important; and
- have a branded distribution model that can access consumers with Hiro's own products and brands via an eCommerce based solution.

### **3.9.2. Products category**

Hiro defines 'everyday products' as:

- Any cosmetic or beauty product that you could expect to find in a major retailer or pharmacy, from the front door through to the prescription counter.
- Non-food products that would be typically found within the supermarket aisle, Big Box retailer or in a major department store spanning the beauty aisle, to home cleaning, laundry, personal grooming, pet care, outdoor entertainment and cosmeceuticals.

### **3.9.3. Key strengths**

Hiro's key strengths include:

- manufacturing an attractive range of natural, everyday products that work effectively whilst meeting modern consumer demands for quality, lifestyle appeal, are more natural and those that are considered better for the planet and for consumers;
- a focussed multi-category portfolio of established discretionary and non-discretionary consumer brands sold across a wide range of attractive customer channels;
- underutilised production capacity with flexible manufacturing to support incremental sales growth without a need for major capital investment or significant new to market R&D development;
- speed to market in R&D innovation and delivery due to an extensive library of formulations, innovations and technical IP ready to be commercialised across many product formats;
- an efficient and established centralised logistics operation to support the national grocery, variety retail, pharmacy, contract manufacturing and direct to consumer supply chains;
- a stable of respected contract manufacturing clients with increasing enquiries for additional private label brand manufacturing with grocery and variety retailers;
- existing operating assets requiring only modest capital investment in the next five years;
- knowledgeable and experienced workforce and FMCG skilled executive leadership team; and
- a modern TGA clean room facility (with expansion potential) supported by 40 highly flexible cosmetics, personal care and detergent production lines.

### 3.10. ENABLERS – TECHNOLOGY AND PEOPLE

#### 3.10.1. Technology platform

Hiro operates two legacy enterprise systems, Pronto at Heat and MYOB Greentree at Aware. These systems operate the financials, production and warehousing operations of each business.

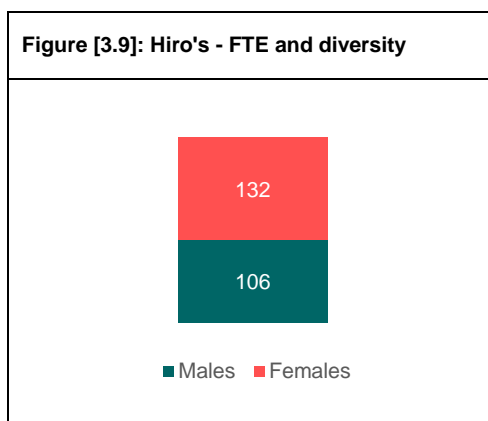
Hiro has made the decision to initially integrate the entire Hiro business model onto the MYOB Greentree (GT) platform, as GT currently runs the two manufacturing operations and associated logistics. There is capability within the GT system to migrate the Heat business operations away from Pronto over the coming six months. An integration program is currently underway with the major transition works centred around customer EDI, WMS and BI reporting interface integration. Over the past few months the ERP systems have been progressively migrated into the Cloud for additional risk mitigation.

A longer-term plan is currently under review to transition the Hiro GT enterprise system, once consolidated and stabilised, to an integrated ERP system. This migration would allow for improved business intelligence, improved customer interface (CRM, EDI, eCommerce) and a more stable cloud based platform. The project is being scoped for capability, cost and lead time and will be only pursued if materially beneficial. A specific timeframe for this further ERP transition has not been set.

#### 3.10.2. People

As discussed above, a capable new FMCG management team and experienced consumer goods turnaround CEO was hired from January 2022. Critical operational roles have been filled to re-energise the business in quality, marketing, R&D, manufacturing and finance.

Hiro currently employs around [240] full time equivalents (**FTEs**), not including casual labour, with around 55% of these employees being female as shown in Figure [3.9] below.



#### 3.10.3. HIRO'S GROWTH STRATEGY

Hiro has multiple avenues for pursuing focussed growth through clearly defined strategic initiatives.

Specifically, there are five pillars in which growth will be targeted over the next 24 months:

1. manufacturing and Distribution initiatives;
2. people, Marketing and technology initiatives;
3. customer channel and brand distribution initiatives;
4. contract Manufacturing Initiatives; and
5. growing Hiro's capability in eCommerce.

### 3.10.4. Manufacturing and Distribution initiatives

Strategic priorities	Description	Targeted results
<b>Manufacturing footprint consolidation</b>	<ul style="list-style-type: none"> <li>Integration of Heat distribution centre and Healey Rd manufacturing onto the Hammond Road site</li> <li>Consolidation of multiple production lines into fewer existing single high speed lines</li> <li>Streamlined management of raw materials and demand planning</li> <li>Improve controls for QA/QC and OH&amp;S</li> </ul>	<ul style="list-style-type: none"> <li>Reduced Opex and improved efficiency</li> <li>Reduced conversion costs</li> <li>Reduced costs of procurement and increased safety stocks</li> <li>Sustainability program investment</li> <li>Improved quality and safety</li> </ul>
<b>Automation</b>	<ul style="list-style-type: none"> <li>Improved materials batching and transfer across the site of liquid ingredients to filling lines</li> <li>Packing hall case packers and palletiser automation to reduce labour and improve speed</li> </ul>	<ul style="list-style-type: none"> <li>Reduced labour, improved yield</li> <li>Higher pack speed</li> <li>Improved service levels to customers</li> </ul>
<b>Distribution</b>	<ul style="list-style-type: none"> <li>Integration of Heat and Aware finished goods distribution centres from Scoresby to Dandenong</li> <li>Service a complete range of Hiro consumer packaged goods to all channel customers from one location</li> </ul>	<ul style="list-style-type: none"> <li>Improved efficiency, DIFOT</li> <li>Reduced Opex</li> <li>eCommerce growth acceleration</li> <li>Paperless transactions for total business</li> </ul>

### 3.10.5. People, Marketing and technology initiatives

Strategic priorities	Description	Targeted results
<b>People</b>	<ul style="list-style-type: none"> <li>Integration and streamlining of business functions across both companies into Hiro</li> <li>Investment in additional resources across sales, marketing and R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Speed to market</li> <li>Efficiency and Opex reductions</li> <li>Speed to market and increased, capability</li> </ul>
<b>Marketing</b>	<ul style="list-style-type: none"> <li>Reinvestment in Hiro brands to drive awareness and new sales distribution</li> <li>Accelerate new product development program</li> <li>Invest in program to refresh Hiros' product ranges</li> </ul>	<ul style="list-style-type: none"> <li>Increased volume and market penetration</li> <li>Rebuild core ranges and access new customers with manufactured product</li> <li>Improved shelf product presentation, increased sales and consumer relevance</li> </ul>
<b>ICT improvement</b>	<ul style="list-style-type: none"> <li>Immediate consolidation of financial ERP into one preferred company system (MYOB Greentree)</li> <li>Longer term migration to a new ERP with CRM</li> </ul>	<ul style="list-style-type: none"> <li>Improved data reporting and business controls</li> <li>Risk mitigation and standardisation</li> </ul>
<b>Integrated planning</b>	<ul style="list-style-type: none"> <li>Leverage existing platforms for EDI, eCommerce and S&amp;OP planning tools between both companies</li> </ul>	<ul style="list-style-type: none"> <li>Improved service to customers</li> <li>Improved business intelligence and controls</li> </ul>

**3.10.6. Customer channel and brand distribution initiatives**

<b>Strategic priorities</b>	<b>Description</b>	<b>Targeted results</b>
<b>Retail customers</b>	<ul style="list-style-type: none"> <li>• Drive volume growth in grocery, variety and pharmacy channels with existing and new company brands and product formats</li> <li>• Drive an accelerated innovation program across new segments Hiro does not currently participate in but can add genuine category and consumer value</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue &amp; margin growth</li> <li>• Improved earnings stability</li> </ul>
<b>New customers</b>	<ul style="list-style-type: none"> <li>• Expand market penetration into hardware, pet/vet and haircare channels with existing product R&amp;D</li> <li>• Explore opportunities with grocery and pharmacy distributors in New Zealand</li> <li>• Explore opportunities to enter developed Asian regions where strategically practical via distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue &amp; margin growth</li> <li>• Improved earnings stability</li> <li>• Export market development</li> </ul>
<b>Brand Investment</b>	<ul style="list-style-type: none"> <li>• Invest in our core brands through mainstream media, digital consumer media, in store PoS and consumer targeted retailer programs</li> <li>• Invest in building on existing eCommerce platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Volume growth</li> <li>• Brand awareness</li> </ul>

**3.10.7. Contract Manufacturing Initiatives**

<b>Strategic priorities</b>	<b>Description</b>	<b>Targeted results</b>
<b>Incubator brands</b>	<ul style="list-style-type: none"> <li>• Collaborate with innovative, new sustainable brands in Hiro's product segments to support R&amp;D, manufacture and distribution.</li> <li>• Strategically take an early stage ownership position where viable to support growth and long term returns to Hiro</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation leadership</li> <li>• Category management</li> <li>• Return on investment</li> </ul>
<b>Contract Manufacturing</b>	<ul style="list-style-type: none"> <li>• Ensure existing clients are secure with long term programs</li> <li>• Target contract manufacturing volumes direct with major grocery and pharmacy customers for retail brands</li> <li>• Fewer but larger volume/value manufacturing contracts with distributor brand owners</li> </ul>	<ul style="list-style-type: none"> <li>• Overhead recovery</li> <li>• Improved chain margin and less risk to supply</li> <li>• Less operational complexity and risk</li> <li>• Exit inefficient contracts</li> </ul>

**3.10.8. Growing Hiro's capability in eCommerce**

Strategic priorities	Description	Targeted results
<b>B2B Platform</b>	<ul style="list-style-type: none"> <li>Consolidate all eCommerce platforms across the business into one to support the full range of Hiro brands and products</li> <li>Leverage existing customer EDI capabilities across all products to streamline order to delivery process</li> </ul>	<ul style="list-style-type: none"> <li>Single platform for trading</li> <li>Seamless integration with ERP</li> </ul>
<b>Consumer</b>	<ul style="list-style-type: none"> <li>Establish a consumer facing online Hiro marketplace to sell relevant beauty and household products direct to consumers</li> <li>Expand current shop online format to include a subscription offer to consumers spanning the entire Hiro product range</li> </ul>	<ul style="list-style-type: none"> <li>Increased revenue and margins</li> <li>Ability to connect directly with consumers</li> </ul>

**3.11. SYNERGIES AND OPPORTUNITIES ARISING FROM THE HEAT AND AWARE COMBINATION**

Heat and Aware have different but complementary infrastructure, product manufacture and distribution channels. Heat's distribution channels are principally focused on pharmacies and beauty retailers, while Aware is primarily focused on supermarkets and mass market retailers. The combination of Heat and Aware presents opportunities for both synergies and growth.

**3.11.1. Synergies**

The combination of Heat and Aware presents several synergistic opportunities including:

- leveraging the underutilised warehouse space at Scoresby to accommodate all of Aware's branded product lines thereby creating a best in class, paperless national distribution centre servicing all customers from one location with bulk palletised goods, pick and pack consignments and eCommerce customers;
- cost synergies will be achieved through reduced duplication of sites, operations and general overheads; and
- manufacture of Heat brands where possible.

**3.11.2. Growth opportunities**

The combination of Heat and Aware also presents numerous growth opportunities including:

- Increased market access for Hiro's manufactured consumer products and company brands being available for sale through the larger customer network.
- The inhouse manufacturing capability for locally made personal care, cosmetics and TGA cosmeceutical products will allow Hiro to create new premium brands and products for its many sales channels, allowing it to specialise as a health and beauty business in the future, rather than general distributor of agency goods or relying on third party manufacturing.
- Cross-sell opportunities - Hiro's major pharmacy customers are making new enquiries for contract manufacturing of their retail brands which was previously not available to the stand-alone Aware business. These relationships can in turn improve opportunities for the additional ranging of Hiro's core brands.
- Aligning the two companies will improve the sales, marketing and product development output by ensuring category teams are aligning, managing and meeting the needs of channel customers in a timely manner for all ranges of products, not just those previously available to one company or the other.
- Leverage of people and process across Heat Aware to create shared resources and a streamlined business model requiring less overheads, infrastructure or technology.

- A significant eCommerce potential to create an online direct to consumer marketplace featuring Hiro's wide range of branded manufactured cosmetics, personal care, household care and cosmeceutical products as well as its large range of its branded beauty accessories, healthcare aids and colour cosmetics.

## **4. DETAILS OF THE OFFER**

### **4.1. Introduction**

Under this Prospectus, the Company is offering 13,368,984 Shares (Minimum Subscription) or 18,716,578 Shares (Maximum Subscription) to the public at an issue price of \$1.87 per Share to raise between \$25,000,000 and \$35,000,000 before costs (**Offer**). Oversubscriptions beyond the Maximum Subscription will not be accepted. The Offer is open to the general public. Investors outside Australia and New Zealand should consider the statements and restrictions set out in section 4.15 before applying for Shares.

The Shares to be issued under the Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in section 10.2.

Applications for Shares under the Offer must be made on the Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to section 4.2 and the Application Form for further details and instructions.

The principal purposes of the Offer are to:

- (a) comply with ASX's requirements for reinstating the Company on the ASX;
- (b) provide funds for the purposes set out in section 4.3;
- (c) provide the Company with access to equity capital markets for future funding needs; and
- (d) enhance the public and financial profile of the Company to facilitate further growth of the Company's business.

### **4.2. Applications and Payment**

#### **Application Forms**

Applications for Shares under the Offer can only be made using the Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications under the Offer must be for a minimum of 1,070 Shares (\$2,000). No brokerage, stamp duty or other costs are payable by Applicants.

An original, completed and lodged Application Form together with a cheque or payment via BPAY for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Board's decision as to whether to treat an Application as valid and how to construe, amend or complete the Application Form is final.

It is the responsibility of Applicants outside Australia and New Zealand to obtain all necessary approvals in order to be issued Shares under the Offer. The return of an Application Form or otherwise applying for Shares under the Offer will be taken by the Company to constitute a representation by the Applicant that it:

- (a) has received a printed or electronic copy of this Prospectus accompanying the form and has read it in full;
- (b) agrees to be bound by the terms of this Prospectus and the Constitution;
- (c) makes the representations and warranties in section 4.16 (to the extent that they are applicable) and confirms its eligibility in respect of an offer of Shares under the Offer;
- (d) declares that all details and statements in the Application Form are complete and accurate;

- (e) declares that it is over 18 years of age and has full legal capacity and power to perform all of its rights and obligations under the Application Form;
- (f) acknowledges that once the Application Form is returned or payment is made its acceptance may not be withdrawn;
- (g) agrees to being issued the number of new Shares it applies for at \$1.87 each (or such other number issued in accordance with this Prospectus);
- (h) authorises the Company to register it as the holder(s) of the Shares issued to it under the Offer;
- (i) acknowledges that the information contained in this Prospectus is not investment advice or a recommendation that the Shares are suitable for it, given its investment objectives, financial situation or particular needs; and
- (j) authorises the Company and its officers or agents to do anything on its behalf necessary for the new Shares to be issued to it, including correcting any errors in its Application Form or other form provided by it and acting on instructions received by the Share Registry using the contact details in the Application Form.

### Payment by BPAY

You may apply for Shares online and pay your Application Monies by BPAY.

Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at: <https://hirobrandspublicoffer.thereachagency.com>

For online applications, investors can apply online with payment made electronically via BPAY®. Investors applying online will be directed to use an online Application Form and will be given a BPAY® biller code and a customer reference number (CRN) unique to the online Application once the online Application Form has been completed.

You do not need to complete and return a paper Application Form if you pay by BPAY.

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

It is your responsibility to ensure that payments are received by 5.00pm (AEST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

### Payment by cheque

If you wish to make payment by cheque, please contact the Company Secretary for a hardcopy of the Application Form and the Prospectus. The cheque must be made payable to “Hiro Brands Limited” and crossed “Not Negotiable” and, together with the completed Application Form emailed or delivered to the address indicated on the Application Form by the Closing Date:

Delivered to:	Mailed to:
Computershare Investor Services Pty Limited GPO Box 52 Melbourne VIC 3001 Australia	Computershare Investor Services Pty Limited GPO Box 52 Melbourne VIC 3001 Australia

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

#### 4.3. Application monies held in trust

All Application Monies will be held in a separate subscription account on behalf of Applicants until the Shares are issued pursuant to the Offer. Subject to any extension, if ASX does not grant admission to the Official List within 3 months or the Minimum Subscription is not achieved within a period of 4 months of the date of this Prospectus, all Application Monies will be refunded in full without interest, and no Shares will be issued under the Offer. See section 4.10 for information on the Offer Conditions. Any interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

#### 4.4. ASX listing and quotation

The Company will apply to ASX no later than 7 days from the date of this Prospectus for reinstatement of Shares to trading on the Official List of ASX (**Reinstatement Application**), and quotation of the Shares offered under this Prospectus. Subject to any extension, if the Shares are not admitted to quotation within 3 months of the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act. See section 4.10.

#### 4.5. Allocation and issue of Shares

Subject to ASX granting approval for the Reinstatement Application and satisfaction of the other Offer Conditions, the issue of Shares will occur as soon as practicable after the Offer closes. All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. Holding statements will be sent to successful Applicants as required by ASX. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

#### 4.6. CHESS and Issuer Sponsorship

The Company participates in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders. Share certificates will not be issued.

Shareholders will subsequently receive statements showing any changes to their shareholding. Shareholders will receive subsequent statements at the end of each month or if there has been a change to their shareholding on the register and as otherwise required under the ASX Listing Rules and any applicable law. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker (in the case of a holding on the CHESS sub-register) or through the Share Registry (in the case of a holding on the issuer sponsored sub-register). The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

#### 4.7. Timetable

Important Dates	
Lodgement of this Prospectus with ASIC	15 July 2022
Opening Date of Offer	1 August 2022
Closing Date of Offer	12 August 2022

Important Dates	
General Meeting	19 August 2022
Completion of Heat and Aware Acquisitions	19 August 2022
Issue of new Shares pursuant to the Offer	25 August 2022
Expected despatch date of Holding Statements	26 August 2022
Expected date for Shares to commence trading on ASX	31 August 2022

**Note:** The above dates are indicative only. The Company reserves the right to alter this timetable including the Opening Date of Offer and the Closing Date of Offer. Applicants are advised to lodge their Application Forms as soon as possible after the Opening Date if they wish to invest in the Company.

#### 4.8. Withdrawal and discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of new Shares to successful Applicants. If the Offer, or any part of it, does not proceed, Application Monies will be refunded to Applicants (without interest) in accordance with the Corporations Act.

The Company reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares that applied for.

There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant has applied. The Company may in its absolute discretion, without notice to any Applicant and without giving any reason:

- (a) decline an Application;
- (b) accept an Application for its full amount or any lower amount;
- (c) determine a person to be eligible or ineligible to participate in any part of the Offer;
- (d) waive or correct any errors made by an Applicant in completing their Application Form;
- (e) amend or waive the Offer application procedures or requirements in compliance with applicable laws; or
- (f) aggregate any Applications that they believe may be multiple Applications from the same person.

#### 4.9. Use of Funds

The funds raised from the Offer will be used to fund the activities outline below, to pay the expenses of the Offer and for working capital. An expected breakdown of the applications of funds being raised is set out below:

USE OF FUNDS	Minimum Subscription	Maximum Subscription
Marketing – brand establishment and delivery	\$1,000,000	\$2,500,000
Technology and R&D	\$360,000	\$500,000
Strategic investment – Actizyme brand acquisition	\$2,500,000	\$2,500,000

Manufacturing site consolidation (Aware) and manufacturing robotics, automation and equipment	\$3,500,000	\$7,100,000
Working Capital - RM stock, components, inventory	\$6,473,000	\$7,683,000
Debt Restructuring	\$7,000,000	\$10,000,000
Expenses of the Offer (4)	\$2,667,000	\$3,217,000
Corporate advisory payment (Elevon)	\$1,500,000	\$1,500,000
<b>TOTAL</b>	<b>\$25,000,000</b>	<b>\$35,000,000</b>

**Notes:**

(1) The above is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in table above may change depending on a number of factors including, but not limited to, the success of the Company's product development, business development, marketing campaigns and expansion into new markets, as well as any regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

(2) Additional funding through debt or equity may be considered by the Board where it is appropriate to accelerate a specific project or transaction. If the Company decides to make any significant acquisitions such acquisitions would be funded by additional financing through debt or equity (subject to any necessary Shareholder approvals).

(3) As set out in sections 9.3.6 and 10.3, Aware has various banking facilities with Westpac and currently owes Westpac approximately \$13,000,000. The Company intends to repay Westpac partly out of the proceeds of the Offer and partly out of new debt facilities. The Directors are confident that the new debt facilities will be available to pay out Westpac. If they are not, the full amount owing to Westpac will be paid out of the proceeds of the Public Offer. This would result in approximately \$6,000,000 not being available for the other uses of funds specified above and a consequent reduction in the planned expenditure on marketing and a reduction in working capital. While this would be undesirable, the Directors are confident that the Company and its business would remain viable.

(4) see section 10.9 for details of the expenses of the Offer.

**4.10. Conditions of the Offer**

The Offer is conditional upon (**Offer Conditions**):

- (a) ASX approving the Reinstatement Application and agreeing to reinstate Shares to quotation on the Official List of ASX (see section 9.1);
- (b) the minimum subscription under the Offer of 13,368,984 Shares to raise \$25,000,000 before expenses (**Minimum Subscription**) being achieved; and
- (c) the Heat Acquisition and Aware Acquisition having completed (see section 9.5).

There is a risk that the Offer Conditions will not be satisfied. If the Offer Conditions are not satisfied, the Company will not proceed with the Offer. If this occurs no Shares will be issued under this Prospectus and all Application Monies will be refunded (without interest) in accordance with the Corporations Act.

**4.11. Capital Structure**

The table below provides a summary of the expected capital structure of the Company upon completion of the Offer and the transactions described in section 9:

Note	SHAREHOLDER	MINIMUM SUBSCRIPTION (\$25,000,000)		MAXIMUM SUBSCRIPTION (\$35,000,000)	
		SHARES	%	SHARES	%
1	Existing Shares on issue (excluding Heat Holdings)	1,037,066	1.8%	1,037,066	1.7%
2	Existing Shares held by Heat Holdings	1,046,154	46.7%	1,046,154	42.6%
3	Shares issued to Heat Holdings (in connection with the Heat Group and Aware acquisitions)	25,253,227		25,253,227	
4	Shares issued to Aware Vendors upon conversion of Aware Convertible Notes	214,480	0.4%	214,480	0.3%
5	Shares issued to Aware Related Party Creditors upon the conversion of RPC Convertible Notes	4,075,118	7.2%	4,075,118	6.6%
6	Shares issued to Elevon upon the conversion of Elevon Convertible Notes	953,846	1.7%	953,846	1.5%
7	Shares issued to Seed Investors upon the conversion of Seed Convertible Notes	10,040,504	17.8%	10,040,504	16.3%
8	Shares expected to be issued pursuant to the Public Offer	13,368,984	23.7%	18,716,578	30.3%
9	Shares issued to DOCA Creditors upon the conversion of DOCA Convertible Notes	107,193	0.2%	107,193	0.2%
10	Director Shares	256,666	0.5%	256,666	0.4%
11	<b>TOTAL</b>	<b>56,353,238</b>	<b>100%</b>	<b>61,700,832</b>	<b>100%</b>
	Public Offer Price	<b>\$1.87</b>		<b>\$1.87</b>	
	Indicative market capitalisation based on Offer Price	<b>\$ 105,380,555</b>		<b>\$115,380,555</b>	
	Anticipated free float	<b>26.55%</b>		<b>32.92%</b>	

**Notes:**

1. The Shares held by existing Shareholders (excluding Heat Holdings).
2. The Shares held by Heat Holdings. Note that Elevon and Heat Holdings have entered into an option agreement pursuant to which Elevon has the right to acquire these 1,046,154 Shares from Heat Holdings. If Elevon exercises this option, its holding will increase (compared to what is depicted in

the above table) and Heat Holding's will decrease (compared to what is depicted in the above table) by that number of Shares. The Company expects that this option will be exercised.

3. The Shares to be issued to Heat Holdings in connection with the acquisition of Heat Group and Aware. Heat Holdings will be issued with 25,044,687 Shares at \$0.5035 per Share for Heat Group (value based on public offer price of \$12,610,000). Heat Holdings will be issued with 208,540 Shares at \$0.5035 per Share for Aware (value based on public offer price of \$105,000).
4. The Shares to be issued to the vendors of Aware on conversion of their Aware Vendor Convertible Notes in connection with the acquisition of Aware. The Aware Vendor Convertible Notes have an aggregate face value of \$243,809 and convert into 214,480 Shares in the Company at \$1.10 per Share.
5. The Shares to be issued to the Aware Related Party Creditors on conversion of their RPC Convertible Notes, in connection with the acquisition of Aware. The RPC Convertible Notes have an aggregate face value of \$5,000,000 and convert into 4,075,118 Shares in the Company at \$1.23 per Share.
6. The Shares to be issued to Elevon on conversion of their Elevon Convertible Notes, in connection with the acquisition of Aware as Elevon's success fee. The Elevon Convertible Notes have an aggregate face value of \$1,486,518 and convert into 953,846 Shares in the Company at \$1.56 per Share.
7. The Shares to be issued to Seed Investors on conversion of their Seed Convertible Notes, in connection with the various seed round capital raisings undertaken by the Company. This includes Shares to be issued to Seed Investors who are both related parties and non-related parties of the Company, and who have participated in different rounds of seed raises at different prices. The Seed Investor Convertible Notes have an aggregate face value of \$10,640,000 and convert into 10,040,504 Shares in the Company, as follows:
  - \$2,390,000 worth of Seed Investor Convertible Notes which convert into 4,746,774 Shares at \$0.5035 per Share; and
  - \$8,250,000 worth of Seed Investor Convertible Notes which convert into 5,293,730 Shares at \$1.56 per Share.

Note that this is the amount of Shares to be issued to Seed Investors in respect of seed funding that has been obtained by the Company as at the date of this Prospectus. The Company may receive further funding between the date of this Prospectus and completion of the Public Offer, in which case, the amount of Shares to be issued in respect of the conversion of seed funding convertible note arrangements will increase (compared to what is depicted in the above table).

8. The Shares expected to be issued to new investors in the Company pursuant to the Public Offer under the Prospectus. Based on the Minimum Subscription (\$25,000,000) there will be 13,368,984 Shares issued at \$1.87 per Share and based on the Maximum Subscription (\$35,000,000) there will be 18,716,578 Shares issued at \$1.87 per Share.
9. The Shares to be issued to the DOCA Creditors on conversion of their DOCA Convertible Notes, in connection with the DOCA. The DOCA Convertible Notes have an aggregate face value of \$200,000 and convert into 107,193 Shares in the Company at \$1.87 per Share.
10. The Shares to be issued to Mr David Botta, Mr Steven Chaur and Mr Chris Zondanos as part of their remuneration packages as directors (and ex-chief executive in the case of Mr Chris Zondanos) of the Company. 256,666 Shares will be issued for no consideration but the value will be taken to be \$1.56 per Share.
11. All the numbers of Shares set out above are on a post consolidation basis (i.e., assuming that the Company's existing shares on issue have been consolidated on a 65:1 basis).
12. The different price at which Shares are issued reflects commercial negotiations at the time each agreement for the issue of Shares was entered into. The Directors consider that all of these agreements are in the interests of the Company. To the extent that any of these agreements are

related party transactions for the purposes of Chapter 2E of the Corporations Act, they will be subject to Shareholder approval the General Meeting.

## 4.12. Control implications

### Introduction

The table in this section set out the expected maximum voting power of the major shareholders and shareholder groups, being each of:

- (a) Heat Holdings;
- (b) Margaret Lyndsey Cattermole, including Margaret Lyndsey Cattermole's direct and indirect holdings, and associates, as follows (**Cattermole and Cattermole Associates**):
  - (i) Direct – Alcott Pty Ltd (**Alcott**) (an entity wholly controlled by Margaret Lyndsey Cattermole) will directly hold tranches of Shares issued upon the conversion of Seed Investor Convertible Notes. Additionally, Hugh Cattermole (Margaret Lyndsey Cattermole's son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole) will directly hold Shares in the Company upon the conversion of Seed Investor Convertible Notes respectively, and in turn, Margaret Lyndsey Cattermole will have an interest in these shares; and
  - (ii) Indirect – Alcott has a substantial holding (of 48.2%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the Shares in the Company that will be held by Heat Holdings; and
- (c) the BIA Fund.

### Descriptions of the relevant parties

**Heat Holdings** is Heat Holdings Pty Ltd, a private company owned and controlled by BIA Fund, Cattermole and Cattermole Associates, and other persons. Heat Holdings currently holds approximately 98% of Aware and 98% of Heat Group. Following completion of the Public Offer Heat Holdings will be the major shareholder in Hiro, with a direct holding of 46.7% (Minimum Subscription) or 42.6% (Maximum Subscription).

**BIA Fund** is BRC Collective Pty Ltd in its capacity as trustee of the BRC Incubator and Accelerator Unit Trust. Following completion of the Proposed Transactions BIA Fund will have a direct holding in Hiro of 9.5% (Minimum Subscription) or 8.6% (Maximum Subscription). In addition to its direct interest in Hiro, BIA Fund will have a relevant interest (and voting power) in the shares held by Heat Holdings because of the operation of section 608(3)(a) of the Corporations Act.

**Cattermole and Cattermole Associates** comprise Margaret Lyndsey Cattermole and Margaret Lyndsey Cattermole's associates Alcott Pty Ltd, Hugh Cattermole (Lyndsey Cattermole's son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole). Lyndsey Cattermole is a successful entrepreneur and founder of Aspect Computing. She is now a private investor and member of the BRC Group which has invested in Hiro and promoted the Proposed Transactions. Following completion of the Public Offer Cattermole and Cattermole Associates will have a direct holding in Hiro of 4.8% (Minimum Subscription) or 4.4% (Maximum Subscription). In addition to their direct interest in Hiro, Cattermole and Cattermole Associates will have a relevant interest (and voting power) in the shares held by Heat Holdings because of the operation of section 608(3)(a) of the Corporations Act.

Note	Relevant Party	Shares	Minimum Subscription	Maximum Subscription
			%	%
1	Heat Holdings	26,299,381	46.7%	42.6%
2	Cattermole and Cattermole Associates	29,015,758	51.5%	47.0%

Note	Relevant Party	Shares	Minimum Subscription	Maximum Subscription
			%	%
3	BIA Fund	31,634,349	56.1%	51.3%

Notes:

- 1) Heat Holdings will have a direct interest in 26,299,381 Shares in the Company following completion of the Proposed Transactions.
- 2) Cattermole and Cattermole Associates will have an interest (directly and indirectly) in 29,015,758 Shares the Company following completion of the Proposed Transactions as follows:
  - a) Alcott will directly hold tranches of 695,135 and 1,924,993 Shares issued upon the conversion of Seed Investor Convertible Notes;
  - b) Alcott has a substantial holding (of 48.2%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings; and
  - c) Hugh Cattermole (Margaret Lyndsey Cattermole's son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole) will directly hold 64,166 and 32,083 Shares in the Company respectively, and in turn, she will have interest in these shares.
- 3) BIA Fund will have an interest (directly and indirectly) in 31,634,349 Shares the Company following completion of the Proposed Transactions as follows:
  - a) BIA Fund will directly hold tranches of 4,051,639 and 1,283,329 Shares issued upon the conversion of Seed Investor Convertible Notes; and
  - b) BIA Fund has a substantial holding (of 42%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, it in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings.

#### 4.13. Escrow Arrangements

##### Compulsory escrow

The Company will apply to be reinstated to the Official List of ASX on the basis of the assets test. When this test is applied ASX will normally require that some of the Company's shares be subject to compulsory escrow. The Company expects that its Shares will be free from escrow upon completion of the Proposed Transactions on the basis that it will have a track record of revenue acceptable to ASX (one of the exceptions to the normal escrow requirements). While ASX retains a discretion over these matters it has provided guidance that to satisfy the requirement for an acceptable track record of revenue it must be a going concern or a successor of a going concern, have conducted the same business activity during the last 3 full financial years, have aggregated revenue for the last 3 financial years of at least \$20 million, be raising at least \$20 million and have a market capitalisation of over \$100,000,000.

##### Voluntary escrow

In accordance with general market expectations, the Company will apply a period of voluntary escrow (12 months) to some of the Shares issued before or in connection with the Public Offer. The Company expects that the following parties (and respective numbers of Shares) will be subject to 12-month voluntary escrow:

Shareholder / Shareholder Group	Number of Shares subject to escrow	% total Shares on issue (assuming	% total Shares on issue (assuming
---------------------------------	------------------------------------	-----------------------------------	-----------------------------------

		Minimum Subscription)	Maximum Subscription)
Heat Holdings (including existing shares held and shares issued to it in connection with the Heat Group and Aware acquisitions)	26,299,381	46.67%	42.62%
Shares issued to Aware Vendors upon conversion of Aware Convertible Notes	214,480	0.38%	0.35%
Shares issued to Aware Related Party Creditors upon the conversion of RPC Convertible Notes	4,075,118	7.23%	6.60%
Shares issued to Elevon upon the conversion of Elevon Convertible Notes	953,846	1.69%	1.55%
Seed Investors (who are related parties) (1)	9,591,339	17.02%	15.54%
Director Shares (issued to Mr David Botta, Mr Steven Chaur and Mr Chris Zondanos)	256,666	0.46%	0.42%
<b>TOTAL</b>		73.45%	67.08%
<b>ANTICIPATED FREE FLOAT</b>		26.55%	32.92%

Note:

- (1) All Seed Investors who are related parties and who are issued Shares upon conversion of their Seed Investor Convertible Notes will be subject to 12-month voluntary escrow. This includes the 2,716,377 Shares to be held by Cattermole and Cattermole Associates (directly) and the 5,334,968 Shares to be held by the BIA Fund (directly).
- (2) It is possible that ASX will not accept the Company's submissions and require compulsory escrow in accordance with Chapter 9 and Appendix 9B of the ASX Listing Rules. The effect of that would be that the persons disclosed above would still be subject to escrow but in a number of cases the period of escrow would be different – in most cases 2 years rather than 1 year.

#### 4.14. Offer management and fees

The Company has engaged MST Financial Services Pty. Ltd. (**Lead Manager**) to manage the Offer and facilitate with the capital raise under the Offer. The Lead Manager will be paid a management fee of 5% of the proceeds of the Offer and may be paid a discretionary performance fee of 0.5% of the proceeds of the Offer.

#### 4.15. Foreign Investor Restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This

Prospectus may not be released or distributed in the United States or elsewhere outside Australia and New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and New Zealand, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

#### **4.16. Representations by Applicants**

Each Applicant will be taken to have represented, warranted, agreed and acknowledged as follows:

- (a) it agrees to become a shareholder of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer set out in this Prospectus;
- (b) it acknowledges having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) and the accompanying Application Forms, and having read them in full;
- (c) it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- (d) is not in the United States, or acting for a person in the United States;
- (e) it has not sent and will not send this Prospectus or any material relating to the Offer to any person in the United States; and
- (f) it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand.

#### **4.17. Risk factors**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in section 6 of this Prospectus. Before deciding to invest in the Company, applicants should read this Prospectus in its entirety, consider all factors including the risk factors in light of their individual circumstances and seek appropriate professional advice.

#### **4.18. Exposure period**

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by ASIC by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. During the Exposure Period, electronic and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all such Applications will be treated as if they were simultaneously received on the Opening Date.

#### **4.19. Privacy Disclosure**

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect hold and use that personal information to assess applications for Shares, to provide facilities and services to Shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed.

In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company's secretary, Hasaka Martin, by telephone on +61 424 685 041, or the Share Registry, +61 (0)3 9415 4000.

#### **4.20. Financial forecasts**

The Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus.

#### **4.21. Dividends**

The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.

#### **4.22. Working capital statement**

The Directors believe that on completion of the transactions described in section 9, including the Offer, the Company will have sufficient working capital available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's business objectives as set out in sections 3 and 4.1.

#### **4.23. Other offers made pursuant to this Prospectus**

This Prospectus also includes an offer of each of the following:

- (a) The Shares to be issued to Heat Holdings in connection with the acquisition of Heat Group and Aware. Heat Holdings will be issued with 25,044,687 Shares at \$0.5035 per Share for Heat Group (value based on public offer price of \$12,610,000). Heat Holdings will be issued with 208,540 Shares at \$0.5035 per Share for Aware (value based on public offer price of \$105,000).
- (b) The Shares to be issued to the vendors of Aware on conversion of their Aware Vendor Convertible Notes in connection with the acquisition of Aware. The Aware Vendor Convertible Notes have an aggregate face value of \$243,809 and convert into 214,480 Shares in the Company at \$1.10 per Share.
- (c) The Shares to be issued to the Aware Related Party Creditors on conversion of their RPC Convertible Notes, in connection with the acquisition of Aware. The RPC Convertible Notes have an aggregate face value of \$5,000,000 and convert into 4,075,118 Shares in the Company at \$1.23 per Share.
- (d) The Shares to be issued to Elevon on conversion of their Elevon Convertible Notes, in connection with the acquisition of Aware as Elevon's success fee. The Elevon Convertible Notes have an aggregate face value of \$1,486,518 and convert into 953,846 Shares in the Company at \$1.56 per Share.
- (e) The Shares to be issued to Seed Investors on conversion of their Seed Convertible Notes, in connection with the various seed round capital raisings undertaken by the Company. This includes Shares to be issued to Seed Investors who are both related parties and non-related parties of the Company, and who have participated in different rounds of seed raises at different prices. The Seed Investor Convertible Notes have an aggregate face value of \$10,640,000 and convert into 10,040,504 Shares in the Company, as follows:
  - \$2,390,000 worth of Seed Investor Convertible Notes which convert into 4,746,774 Shares at \$0.5035 per Share; and
  - \$8,250,000 worth of Seed Investor Convertible Notes which convert into 5,293,730 Shares at \$1.56 per Share.
- (f) The Shares to be issued to the DOCA Creditors on conversion of their DOCA Convertible Notes, in connection with the DOCA. The DOCA Convertible Notes have an aggregate face value of \$200,000 and convert into 107,193 Shares in the Company at \$1.87 per Share.

#### **4.24. Enquiries**

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offer and the Application Form can be directed to the Company's secretary, Hasaka Martin, by telephone on +61 424 685 041, or the Share Registry on the Offer Information Line:

9.00am to 5.00pm

(Within Australia) 1300 850 505

(Outside Australia) +61 03 9415 4000

## 5. BOARD AND MANAGEMENT

### 5.1. Board of directors

The Directors bring to the Board relevant skills and experience, including industry and business knowledge, financial management and corporate governance expertise.

The Board of Directors of the Company consists of:

Directors	Experience, Qualifications and Background
Garry Hounsell, Independent Non-Executive Chairperson	<p>Garry is currently the Chairman of Helloworld Travel Limited (since October 2016) and is a Chairman of the Commonwealth Superannuation Corporation Limited (since 2016), Findex Group Limited (since January 2020) and Treasury Wine Estates Limited (since 2012). Garry is the former Chairman of PanAust Limited (from July 2008 to August 2015), Myer Holdings Limited (from November 2017 to October 2020, and a director from September 2017 to October 2020), Spotless Group Holdings Limited (Chairman from February 2017 to August 2017, and a director from March 2014 to August 2017) and a former director of Qantas Airways Limited (from January 2005 to February 2015), Integral Diagnostics Limited (from October 2015 to March 2017) and Dulux Group Limited (from July 2010 to December 2017). He was a former CEO and Country Managing Partner of Arthur Anderson and Senior Partner of Ernst and Young.</p> <p>Garry is a Fellow of the Australian Institute of Company Directors and Chartered Accountants in Australia and New Zealand.</p> <p>Mr Hounsell is an independent director.</p>
Steven Chaur, Managing Director and Chief Executive Officer	<p>Steven is an AICD Graduate, Fellow of the Institute of Managers and Leaders and holds an MBA and Graduate Diploma (Marketing) from Monash University. Steven Chaur was appointed as Managing Director and Chief Executive Officer of Hiro effective from 24 January 2022. Steven is a transformational leader who has delivered sustainable shareholder value growth in competitive and dynamic sectors such as consumer food products, specialised industrial products and agricultural production across local and international customer markets. Steven has proven experience in FMCG strategy leadership, lean manufacturing, global distribution, consumer marketing, ASX financial oversight and governance. He has led organisations operating in Pacific and global markets including New Zealand, Europe, China, UAE, Thailand, Japan, Singapore, Indonesia and the USA.</p> <p>Steven has held recent Managing Director and Chief Executive Officer roles at Castlegate James Australasia, Nutrano Produce Group, Patties Food Limited (ASX:PFL), Saint-Gobain Pacific (EPA:SGO) and has held senior executive roles at George Weston Foods, Findus Australia, National Foods Ltd (ASX:NFL), Simplot Australia and Unilever. He is also a past Non-Executive Director at Wingara AG Limited (2020–2022) (ASX: WNR), Meat &amp; Livestock Australia (2015–2018) and Davies Bakeries (2014–2016).</p>

<p>Margaret Lyndsey Cattermole, AM, Non-executive Director</p>	<p>Lyndsey Cattermole, AM, founded Aspect Computing, the largest Australian Software and Services Company, going on to be a major force in Australian ICT with 1300 employees. She remained as joint Managing Director from 1974 to 2003, before the business was sold. Lyndsey has been at the forefront of the Australian IT Industry including the Australian Computer Society, the Prime Minister's Science and Engineering Council, the Federal Government Electronic, Electrical and Information Industry Board, and the Multimedia Advisory Committee.</p> <p>Lyndsey has held a number of board and membership positions on a range of government, advisory, association and not for profit committees. In particular, Lyndsey helped form the Murdoch Children's Research Institute from the Murdoch and Royal Children's, one of Australia's largest biomedical research institutes.</p> <p>Lyndsey is currently a non-executive Director of Pact Group Holdings Limited (ASX:PHG) and also holds directorships with MPH Agriculture and Melbourne Rebels Rugby Union. With a Bachelor of Science from the University of Melbourne, Lyndsey is a Fellow of the Australian Computer Society.</p> <p>Lyndsey is formerly a director of Treasury Wine Estates and Tatts Group.</p> <p>Ms Cattermole is not an independent director.</p>
<p>David Botta, Non-executive Director</p>	<p>David has a business career spanning over 35 years in Australia, Europe, Asia and New Zealand. From 1996-1997, David was the Retail Director Nike Australia, responsible for eight stores, opening a chain of factory stores. In 1997 David moved to Nike Europe as Retail Director with responsibility for two Nike Towns and 52 factory stores. He was responsible for establishing the first pan-European retailer. In 2001, David moved back to Australia in the role of CEO for Jeanswest, a retail business with 220 stores and revenue of \$185m. During this time David also took the business to the UAE. David's next move was to Colorado Group, with five major retail labels with a total of 480 stores, 3,500 employees and revenue of \$500m. More recently, David owned Qualspec Australia's largest independent quality assurance company with operations across Asia, this business was sold in 2019. David is currently involved in several businesses focused in the technology and consumer space.</p> <p>Mr Botta was a member of the Heat Holdings Board until 4 May 2022. However, the Board considers that in all the circumstances he can be regarded as an independent director.</p>
<p>Paul Docherty, Non-executive Director</p>	<p>Paul is Founder and Executive Chair of the BRC Group, one of Australia's leading Incubator and Accelerator's. Prior to founding the BRC Group, Paul was the Founder and CEO of Direct Connect, a business that was sold with Lumo Energy for \$600m to Snowy Hydro in 2014. Paul holds Chairmanships across MedTech, Health, Technology and BRC's Food businesses, and is both the Regional Chair of YPO in Australia and New Zealand, and the Chairman of the Melbourne Rebels.</p> <p>Mr Docherty is not an independent director.</p>

Amber Collins, Non-executive Director	<p>Amber started her career at Saatchi &amp; Saatchi Advertising London working on FMCG brands such as Schweppes and Carlsberg-Tetley before joining Lowe Howard-Spink as the Board Director managing Tesco PLC. Over the next five years Amber worked as a Director of brand consultancy Interbrand in London and the USA. Returning to Australia, she spent nearly 10 years at Coles and Target in multiple management roles with responsibility for product development, brand management, digital marketing, communications and media. Amber joined Australia Post as Chief Marketing Officer in 2019 and is on the board of Foodbank Vic.</p> <p>Ms Collins is an independent director.</p>
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## 5.2. Senior Management

The Company's senior management will consist of:

Director	Experience, Qualifications and Background
Steven Chaur, Managing Director and Chief Executive Officer	See section 5.1 above.
Albert Zago, Chief Financial Officer	<p>Albert Zago is a qualified Chartered Accountant with over 30 years finance and business management experience in FMCG, retail, distribution and manufacturing operations. Albert is an experienced leader in challenging customer focus and changing/complex environments, where operations are in need of pro-active transformation, whilst executing growth strategies.</p> <p>Prior to joining the Hiro Group, Albert held various senior executive positions in ASX listed and unlisted public companies such as Mitre 10 Australia Ltd and GUD Holdings Ltd and was Chief Financial Officer of Pental Ltd, Murray River Organics Ltd and Aware Environmental Ltd, and spent a decade at PricewaterhouseCoopers and Hall Chadwick in audit and business management roles.</p> <p>Albert was appointed Chief Financial Officer of Hiro Brands Ltd in March 2022.</p>

## 5.3. Interests of Directors and Management

Other than as disclosed in this Prospectus, no existing or proposed Director holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- (c) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to an existing or proposed Director for services in connection with the formation or promotion of the Company or the Offer, or to induce them to become, or qualify as, a Director.

## 5.4. Shareholding requirements

Directors are not required to hold any Shares under the Constitution of the Company.

## 5.5. Directors' security holdings

Director	Minimum Subscription (\$25,000,000)		Maximum Subscription (\$35,000,000)	
	Shares	Voting power	Shares	Voting power
Garry Hounsell(1)	160,416	0.3%	160,416	0.3%
Steven Chaur	160,416	0.3%	160,416	0.3%
Margaret Lyndsey Cattermole(2)	2,716,377	4.8%	2,716,377	4.4%
David Botta	77,000	0.1%	77,000	0.1%
Paul Docherty	0	0%	0	0%
Amber Collins	0	0%	0	0%

(1) Garry Hounsell, together with his wife Julie Hounsell, hold these as trustee for The Hounsell Superannuation Fund.

(2) See detailed comments in section 4.12 explaining the holdings of Cattermole and Cattermole Associates. This is Margaret Lyndsey Cattermole's direct holding only. Margaret Lyndsey Cattermole has both direct and indirect interests in the voting power of the Company:

- Direct – Margaret Lyndsey Cattermole has a direct interest in the 64,166 Shares which will be held by Cattermole Management Pty Ltd, the 32,083 Shares that will be held by Hugh Cattermole and the tranches of 695,135 and 1,924,993 Shares that will be held by Alcott Pty Ltd (both in respect of Seed Convertible Notes). These direct holdings equate to 2,716,377 Shares (or 4.8% based on Minimum Subscription or 4.4% based on Maximum Subscription).
- Indirect – Margaret Lyndsey Cattermole (via her wholly controlled entity, Alcott Pty Ltd) has a substantial holding in Heat Holdings (of 48.2%). As a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings.

In aggregate, Margaret Lyndsey Cattermole will have a total interest (direct and indirect) in 29,015,758 Shares in the Company (equating to a 51.5% interest based on Minimum Subscription or a 47% interest based on Maximum Subscription). This percentage comprises her "voting power" for the purposes of the Corporations Act. See additional explanation in section 4.12.

## 5.6. Directors' Remuneration

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The maximum aggregate remuneration for all non-executive directors has been set at an amount of \$500,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

Set out below is the initial remuneration payable by the Company to each Director.

Director	Role	Annual Salary (including director fees and any superannuation)
Garry Hounsell	Independent Non-Executive Chairperson	\$150,000

Director	Role	Annual Salary (including director fees and any superannuation)
Steven Chaur	Chief Executive Officer	\$576,600
David Botta	Independent Non-executive Director	\$80,000
Margaret Lyndsey Cattermole	Non-executive Director	\$80,000
Paul Docherty	Non-executive Director	\$80,000
Amber Collins	Independent Non-executive Director	\$80,000

### 5.7. Senior management security holdings

Set out below are the anticipated relevant interests of senior management (who are not mentioned above in section 5.5) in Shares and their voting power upon completion of the Offer.

Name	Shares	Voting Power	ESOP / Performance Rights
Albert Zago	0	0	0

### 5.8. Senior management remuneration

Set out below is the initial remuneration payable by the Company to senior management.

Executive	Role	Annual Salary (including director fees and any superannuation)	Bonus (subject to achievement of KPIs)
Steven Chaur	Managing Director	\$576,600	\$208,000
Albert Zago	Chief Financial Officer	\$330,497	\$90,000

### 5.9. Executive and Director Share Option Plan

The Company has adopted the Executive Share Option Plan (**ESOP**) to reward executives for the achievement of KPIs and to better align their interests with the interests of Shareholders. There are currently no securities on issue under the ESOP.

### 5.10. Key executive's employment contracts

Steven Chaur – Chief Executive Officer

The Company has entered into an executive services agreement with Steven Chaur which provides for his full-time employment with the Company. In addition to the provisions referred to in section 5.6, this agreement:

- (a) allows Steven Chaur's employment to be terminated on six months' notice by either party;

- (b) allows the Company to terminate Steven Chaur's employment with immediate effect if Steven Chaur engages in serious misconduct;
- (c) imposes confidentiality obligations on Steven Chaur, which survive termination of his employment with the Company;
- (d) provides for Steven Chaur to assign to the Company all of his intellectual property rights arising out of his employment with the Company or the performance of his duties; and
- (e) restricts Steven Chaur from soliciting employees of the Company, for up to 1 year after termination of his employment.

#### **5.11. Non-executive director appointments**

David Botta, Paul Docherty, Margaret Lyndsey Cattermole, Amber Collins and Garry Hounsell have entered into retainer letters with the Company to act in the capacity respective capacities as Non-Executive Directors of the Company.

#### **5.12. Deeds of indemnity, insurance and access**

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.

#### **5.13. Corporate Governance**

The Board is committed to maximising Shareholder value and financial return and sustaining the growth and success of the Company's business. In conducting business with these objectives, the Board is tasked with ensuring that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees fulfil their functions effectively and responsibly.

##### **5.13.1. Board**

The Board is comprised of 5 Non-Executive Directors and 1 Executive Director, being the Managing Director and CEO. Detailed biographies of the Directors are provided in section 5.1. Three of the five Non-Executive Directors (Garry Hounsell, David Botta and Amber Collins) can be regarded as independent.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as a non-executive Director or Executive Director as the case may be without constraint from other commitments.

##### **5.13.2. Independence of the Board**

The Board considers that a director is an independent director where that director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its Shareholders. Generally, when determining the independence of a director, the Company also considers the factors relevant to assessing the independence of a director listed in Recommendation 2.3 of the ASX Corporate Governance Principles and Recommendations.

##### **5.13.3. Board Charter**

The responsibilities of the Board are set out in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles and Recommendations.

A copy of the Company's Board Charter is available on the Website.

#### 5.13.4. Board Committees

The Board has established two standing committees to assist the Board in fulfilling its responsibilities as described in the table below.

Each of these committees has the responsibilities described in the committee charters adopted by the Company (which have been prepared having regard to the ASX Corporate Governance Principles and Recommendations). A copy of the charter for the above committees is available on the Website.

The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

BOARD COMMITTEE	KEY RESPONSIBILITIES	INITIAL COMPOSITION
Audit and Risk Committee	Monitoring and advising the Board on the Company's risk management, audit and regulatory compliance policies and procedures	Chair: Garry Hounsell, Independent Non-Executive Chairperson Members: David Botta, Lyndsey Cattermole and Paul Docherty
Remuneration and Nomination Committee	Establishing the policies and practices of the Company regarding the remuneration of Directors and senior management and reviewing all components of the remuneration framework.  Advising the Board on the composition of the Board and its committees.	Chair: Amber Collins, Independent Non-executive Director Members: David Botta, Garry Hounsell, Lyndsey Cattermole and Paul Docherty

#### 5.13.5. Policies

The Company has adopted various policies, taking into account the recommendations in the ASX Corporate Governance Principles and Recommendations. These policies are available on the Website and include:

- **Code of Conduct:** A code of conduct that sets out the standards of conduct and behaviour the Company expects from its Directors, officers, employees and contractors;
- **Continuous Disclosure Policy:** After Reinstatement, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. This policy describes the procedures in place which are designed to ensure that the Company complies with its continuous disclosure obligations;
- **Securities Trading Policy:** This policy outlines when Directors and key management personnel may deal with the Company's securities, particularly at times when the market may not be fully informed as to the Company's progress, and explains how insider trading laws affect their dealings in the Company's securities;
- **Diversity policy:** This policy sets out the Company's policy for achieving an inclusive and diverse workplace, at all levels and how the Company aims to ensure that its objectives can be measured and improved;
- **Shareholder communication policy:** This policy describes how the Company will ensure effective communication with its shareholders and broader stakeholders;
- **Whistleblower policy:** This Policy identifies the types of concerns that may be reported under the policy and sets out the processes the Company has put in place to follow up and investigate complaints whilst ensuring the confidentiality of the Whistle Blower's identity and their protection from retaliation; and

- **Privacy policy:** This policy describes how the Company manages personal information of persons dealing with the Company in accordance with the Privacy Act 1988 and other relevant privacy legislation and regulations.

#### **5.13.6. ASX Corporate Governance Principles and Recommendations**

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

A Corporate Governance Compliance statement can be found on the Company's website at [www.hirobrands.com](http://www.hirobrands.com) which addresses how the Company complies with the recommendations contained in the ASX Corporate Governance Principles and Recommendations and the reasons for those departures. The Board is of the view that with the exception of the departures set out in such table, it otherwise expects to comply with all of recommendations in the ASX Corporate Governance Principles and Recommendations.

The Directors intend to appoint additional suitably qualified and experienced independent directors to the Board when circumstances permit.

#### **5.13.7. Company Secretary**

The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board including on matters involving corporate governance and the ASX Listing Rules. All Directors have unfettered access to the advice and services of the Company Secretary.

## **6. RISK FACTORS**

This section 6 describes potential risks associated with the Company's type of business and an investment in Shares. It does not list every risk that may be associated with the type of business or an investment in Shares and the occurrence or consequences of some of the risks described in this section 6 are partially or completely outside the control of the Company and its Directors and management.

The selection of risks described in this section has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Company as at the date of this Prospectus. The risks may change or other risks may emerge after that date.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment, having regard to your investment objectives, financial circumstances and taxation position. It is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

Prospective investors should be aware that the risks outlined in this section 6 should be considered in conjunction with the other information disclosed in this Prospectus. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements contained in this Prospectus will be realised or otherwise eventuate. References in this section to "the Company" are to the Company and its business and operations.

### **6.1. Risks specific to the Company**

#### **6.1.1. Access to Funding**

Hiro and its subsidiary entities have experienced variability in the amount and timing of operating cashflows. Limitations on access to funding have the potential to impact Hiro's ability to successfully execute its growth plan leading to the risk that Hiro may experience further variability in its cash flow requirements.

Hiro may also require further funding in the future to execute its growth strategies. There is a risk that the Group may be unable to access debt or equity funding from the capital markets or is existing lenders on favourable terms, which has the potential to hinder implementation of the growth strategies.

#### **6.1.2. Failure to Grow**

There is a risk that Hiro will be unable to offer a sufficient number of successful new products which could potentially result in reduced growth.

There is a risk that new Hiro products developed and launched to the market may not be successful because they do not attract sufficient market interest and fail to sell. There is also a risk that new products:

1. waste operating costs;
2. incur operating costs earlier than necessary or greater than forecast; and
3. impact revenues of existing products to a greater extent than predicted.

#### **6.1.3. People Safety**

Employees of Hiro involved in the production or transport of Hiro's products and in general administrative duties may be injured. Following the occurrence of employee injuries on Hiro production, distribution and support office sites or otherwise while employees are undertaking work for Hiro, Hiro may be subject to compensation payments, payment of significant penalties, loss of production capacity and reputational damage, all of which may have a material adverse impact on the operating and financial position of Hiro.

#### **6.1.4. Product Quality and Safety**

Personal care products that contain inferior raw materials or raw materials not to the correct specifications can affect the quality, stability and shelf life of the product. It may also affect the potency and efficacy of its purpose within the formula, potentially resulting in unknown effects to the stability of the finished good.

An incident or threat of product contamination, or the perception that such an incident has occurred may cause reputational damage to Hiro and its brands. This may be realised from the perspective of Hiro's suppliers, customers, the general public and regulators; the loss of contracts for the supply of products and may also result in product recall costs, compensation payments and the payment of penalties. All of these circumstances have the potential to give rise to material and adverse effect on Hiro's revenue, profitability and growth.

#### **6.1.5. Loss or deterioration of supply arrangements**

Hiro relies on a range of parties (e.g. suppliers, freight providers etc.) for its product-sourcing. Its relationships with suppliers are often governed by individual purchase orders and invoices. Under those arrangements, suppliers may seek to alter the terms on which products are supplied, as well as the range of products available for supply. This may result in changes in pricing levels and a reduction in the range of products made available to Hiro. This in turn may adversely impact Hiro's ability to successfully provide customers with a wide range of products at competitive prices. If this occurred, this would likely affect Hiro's revenue, profitability and growth. reduce Hiro's overall profitability and adversely impact its financial performance.

#### **6.1.6. Competition**

Hiro's products are subject to competition from substitutable products and the effects of competition between retailers who sell its products. The majority of Hiro's branded products are sold in supermarkets and pharmacies in Australia. Competition between retail chains is intense. As such, this has led to aggressive reviews of product mixes, and increased movement towards "own" or "private label" products to improve retail margins. This situation is not unique to Hiro and affects suppliers of the vast majority of products stocked across supermarket and pharmacy chains.

New entrants into Hiro's market segment have the potential to cause market disruption across Hiro and competitors' brands as they bid to secure shelf space, in turn potentially leading to the erosion of sales.

#### **6.1.7. Adverse customer behaviour or loss of customer**

Hiro could lose key customers due to a range of events. Any loss of key customers may materially and adversely affect Hiro's revenue, profitability and growth.

Hiro sells its products to a range of customers including major Australian supermarket and pharmacy chains. A significant change in demand for, or the prices paid for, Hiro's products by Hiro's key customers may affect Hiro's sales volumes and margins and may have a material and adverse effect on Hiro's revenue, profitability and growth. For example, customer demand may be adversely impacted due to changes to the customer's competitive position, a strategy by them to grow their 'private label' product offerings, a change in demand from the end purchasers of Hiro's products or the actions of competitors, including increased supply, new and different products and lower prices.

In addition, as a contract manufacturer for several brands owned by customers ("private label") and where Hiro's customer are either uncontracted or contracted for short term (which is typical of the sector Hiro operates in and where some contract supply periods one to three years), the prices at which Hiro's products are sold may be subject to raw material availability and demand at the time. The customer contracts that do not have fixed or minimum volume requirements, and are uncontracted, or contracted for a short period, and therefore there are no obligations to continue purchasing Hiro's branded and private label products, this may then affect Hiro's sales volumes and margins and may have a material and adverse effect on Hiro's revenue, profitability and growth.

### **6.1.8. Loss of customer distribution rights and deterioration of conditions**

Hiro is a distributor for a range of complimentary products in pharmacies and other retail channels that support its core product range of cosmetics and cosmeceuticals. These distribution arrangements are contracted typically for 1 to 3 years. Many of the terms of these distribution agreements have expired or will expire in the short term. If the distribution agreements are not renewed, or renewed with terms and conditions that are less favourable, this may affect Hiro's sales volumes and may have a material and adverse effect on Hiro's revenue, profitability, and growth. It is the Company's longer term objective to mitigate this risk through the increased sales of its own locally manufactured products.

### **6.1.9. Decrease in demand for Hiro's products**

Hiro's current business and growth plans rely on there being an active market domestically and internationally for Hiro and private label products. Consequently, any decrease in demand for Hiro's products - for reasons including, changing consumer preferences and tastes, consumers substituting Hiro's products for competitor's products, product and price competition, performance and reliability, Hiro's reputation, changes in law or regulation or economic and market conditions - will adversely affect sales of Hiro and private label products, which in turn may have a material and adverse effect on Hiro's revenue, profitability and growth.

### **6.1.10. Change in regulation**

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which Hiro sells or sources its products. Changes to the regulatory environment may have a material effect on Hiro's revenue, profitability and growth in a number of ways. For example, there could be adverse financial and production effects resulting from changing requirements to:

1. product packaging and/or labelling requirements, necessitating greater mandatory content disclosures; or
2. the introduction of taxation measures that reference ingredient content; and/or
3. restrictions that prevent or limit access to markets by amendments to regulations governing the export or importation of products (i.e. Free Trade Agreements).

### **6.1.11. Integration risk**

The integration of Aware and Heat Group businesses carries risk, including potential delays or costs in implementing necessary changes, including combining operations that were previously operated independently.

There is a risk that the integration of these businesses may encounter unexpected challenges or issues, including:

1. possible difficulties in merging the cultures and management styles of both businesses in an effective manner;
2. disruption to the current operations of both businesses;
3. higher than anticipated integration costs;
4. flow on impacts from the increase in scale of the businesses;
5. integration of accounting and internal controls;
6. system integration issues and associated realisation of unforeseen costs; and
7. unintended loss of key personnel and/or expert knowledge, or reduction of employee productivity due to uncertainty following the amalgamation of the Aware and Heat businesses.

A failure to fully integrate these businesses as per the plan, as a result of any of the reasons above (or any other reason), could impose unexpected costs, and time delays, that may adversely affect the financial position, performance and future prospects of Hiro.

#### **6.1.12. Brand and Reputation**

The Hiro group portfolio of brand names and intellectual property are key assets of the business. The reputation and value associated with these brands, and related intellectual property, could be adversely impacted by a number of factors. These may include failing to provide customers with the quality of product expected; disputes or litigation with third parties, employees, suppliers or customers; adverse media coverage (including social media), or other circumstances including those beyond the direct control of Hiro.

Erosion in the reputation of, or value associated with, Hiro brands and private label products may have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates, and overall demand for Hiro products.

#### **6.1.13. Operational Risk**

Hiro is a complex manufacturing and distribution business and faces a number of operational risks including machinery breakdowns, OHS incidents, IT infrastructure and software outages, customer and supplier fill rate issues and management of out of stocks.

Inability to manage stock levels to meet forecast fill rates and customer orders may adversely impact customer relationships, and in turn have a negative impact on the Group's operations and financial performance.

#### **6.1.14. Interruption of or loss of operations at one or more of the Group's facilities**

An interruption or disruption in operations at one or more of Hiro's facilities could delay or postpone production of products. This in turn may impact the timing and quantum of the financial incoming of the Group, until such time as the interruption of operations is resolved, or an alternative source of product could be secured.

In addition, Hiro must maintain and renew the appropriate permits and licences required to operate its business. Hiro is subject to regular inspections, examinations and audit by government authorities and other licencing bodies. If serious or repeated findings of non-compliance did occur, there is a risk that this would have a negative impact on Hiro's ability to renew its licences. and may have a material adverse impact on its business operations and financial performance.

#### **6.1.15. Disruption or failure of technology and software systems**

As Hiro's e-commerce business continues to develop, the performance, reliability and availability of its websites and e-commerce software systems becomes more important. There is a risk that these systems may be adversely affected by disruption, failure, service outages, improper configuration, maintenance error, data corruption (as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber attacks) or other disruptions including natural disasters and power outages. In part, some of these disruptions may be caused by events outside of Hiro's control. This may lead to prolonged disruption to Hiro's e-commerce websites, operational and/ or business delays. Continued disruption could potentially lead to a loss of customers, legal claims by customers, and the inability to attract new customers.

#### **6.1.16. Credit risk**

Hiro typically provides credit to its customers, usually on 30 day terms. Failure by customers to make repayments by the relevant due date and the potential resulting default that may occur could potentially adversely impact Hiro's financial performance and position.

#### **6.1.17. Adverse movement in exchange rate**

Hiro is exposed to foreign exchange risk from the importation of raw materials and finished products. Unfavourable movements in the foreign exchange between the Australian dollar and other currencies can potentially have a material adverse impact on the overall financial performance of the Group.

#### **6.1.18. Failure to effectively manage growth**

Future growth could place additional pressure on current management, operational and finance resources. Failure to appropriately manage this growth could result in the inability to retain existing customers and also the ability to attract new customers. This in turn could adversely affect Hiro's operating and financial performance.

#### **6.1.19. Ability to attract and retain key personnel**

A critical component of Hiro's success is the ongoing retention of key management personnel. There is a risk that Hiro may not be able to attract and retain key personnel, or be able to find effective replacements in a timely manner. The loss of key personnel, or any delays in sourcing a replacement, could have a negative impact on Hiro's ability to operate the business and achieve financial performance targets and associated strategic growth objectives.

#### **6.1.20. No guarantee of future dividends**

There is no guarantee that dividends will be paid in the future; this is a matter to be determined by the Board in its discretion. The Board's decision will have regard to, among other things, Hiro's growth plans, financial performance and position, capital expenditure and other liabilities.

#### **6.1.21. Litigation risk**

In the ordinary course of business, Hiro may be involved in litigation disputes from time to time. Litigation disputes brought by third parties, including but not limited to customers, suppliers, business partners and employees may adversely impact the financial performance and industry standing of Hiro, where the impact of litigation is greater than or outside the scope of Hiro's insurance.

### **6.2. OFFER RISKS**

#### **6.2.1. Risks associated with an investment in shares**

There are general risks associated with investments in equity capital such as Hiro shares. The trading price of Hiro shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price. Generally applicable factors which may affect the market price of shares include:

1. General movements in Australian and international stock markets;
2. Investor sentiment;
3. Australian and international economic conditions and outlook;
4. Changes in interest rates and the rate of inflation;
5. Changes in government legislation and policies, including taxation laws;
6. Natural disasters and other extraordinary events, including pandemics and epidemics, and government intervention or acts in response to such events;
7. Announcement of new technologies;
8. Geo-political instability, including international hostilities and acts of terrorism;
9. Demand for and supply of Hiro shares;
10. Announcements and results of competitors of Hiro; and
11. Analyst reports.

No assurances can be given that the New Shares will trade at or above the Offer Price. None of Hiro, its directors or any other person guarantees the market performance of the New Shares. The financial position, performance and prospects of Hiro and Hiro's share price may be adversely affected by the

worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.

### **6.3. GENERAL RISKS OF AN INVESTMENT IN THE COMPANY**

#### **6.3.1. Macro-economic risks**

The Company and its business is exposed to changes in general global economic conditions. For example, adverse macroeconomic conditions such as economic recessions, downturns or extended periods of uncertainty or volatility, may influence spending by the Company's customers. This may affect the Company's future financial performance and operating performance, the price of the Shares and the Company's ability to pay dividends.

#### **6.3.2. Trading and liquidity in shares**

There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares.

#### **6.3.3. Stock market conditions**

Stock market conditions may affect the value of the Company quoted securities regardless of their operating performance. Stock market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- change in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in it.

#### **6.3.4. Shareholders may suffer dilution**

In the future, the Company may elect to issue Shares or engage in fundraisings, including to fund acquisitions that the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues and fundraisings.

#### **6.3.5. Currency movements may be unfavourable**

The Company currently conducts some business in China. Adverse movements in the exchange rate between the Australian dollar and the currencies of its suppliers may expose the Company to foreign currency risk. Should the Australian dollar depreciate, or the foreign currency of its suppliers appreciate significantly, this may cause losses. Such losses may lead to the reduction in the Company profitability, ability to pay dividends and service debt obligations.

#### **6.3.6. Adverse taxation changes may occur**

There is the potential for changes to tax laws. Any change to the current rates of taxes imposed on the Company is likely to affect returns to Shareholders. An interpretation of taxation laws by the relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets in the Company financial statements. In addition, any change in tax rules and tax arrangements may have an adverse effect on the level of dividend franking and Shareholder returns.

### **6.3.7. General investment risk**

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus.

There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if the Company earnings increase. Some of the factors which may affect the price of the Shares include:

- Fluctuations in the domestic and international market for listed stocks;
- General economic conditions, including interest rates, inflation rates, exchange rates, commodity price changes or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- Inclusion in or removal from market indices;
- The nature of the markets in which the Company operates; and
- General operational and business risks.
- Other factors which may negatively affect investor sentiment and influence the Company specifically or the stock market more generally, include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

## 7. FINANCIAL INFORMATION

### 7.1. Introduction

The financial information for Hiro contained in Section 7 includes financial information for the financial years ended 30 June 2020 (**FY20**), 30 June 2021 (**FY21**), and the six months ended 31 December 2020 (**1HY21**) and 31 December 2021 (**1HY22**).

**Table 1: Overview of Hiro's Financial Information**

	<b>Statutory Financial Information</b>	<b>Pro Forma Financial Information</b>
Financial Information	1) Statutory Financial Information includes the: <ul style="list-style-type: none"> <li>a) statutory aggregated statements of profit or loss and other comprehensive income for FY20 and FY21, and the interim aggregated statements of profit and loss and other comprehensive income for 1HY21 and 1HY22 (Statutory Results);</li> <li>b) statutory statements of cash flows for FY20 and FY21, and the interim aggregated statements of cash flows for 1HY21 and 1HY22 (Statutory Cash Flows); and</li> <li>c) aggregated statement of financial position as at 31 December 2021 (Statutory Statement of Financial Position).</li> </ul>	2) Pro Forma Financial Information includes the: <ul style="list-style-type: none"> <li>a) pro forma consolidated statements of profit or loss and other comprehensive income for FY20, FY21, 1HY21 and 1HY22 (Pro Forma Results);</li> <li>b) pro forma consolidated statements of cash flows for FY20, FY21, 1HY21 and 1HY22 (Pro Forma Cash Flows); and</li> <li>c) pro forma consolidated statement of financial position as at 31 December 2021 (Pro Forma Statement of Financial Position).</li> </ul>

Hiro operates on a 30 June financial year end basis, and the Financial Information in this section has been presented on this basis. From a financial perspective, Hiro Brands Limited (formerly Wellness and Beauty Limited and controlled entities) represents the financial performance and position of Heat, Aware and Hiro. Wellness and Beauty Limited and controlled entities (WNB), specifically the income and cash flow statements for FY20, FY21, 1HY21 and 1HY22 have been excluded from the Statutory Financial Information, as its operations have been discontinued and are not indicative of Hiro's business model on a go forward basis.

Below is a summary of the entities that have been included in the different Financial Information disclosures:

<b>Included in the Statutory Financial Information</b>	<b>FY20</b>	<b>FY21</b>	<b>1HY21</b>	<b>1HY22</b>
Hiro (formerly WNB)	N/A	N/A	N/A	Yes – Balance Sheet Only
Aware	Yes	Yes	Yes	Yes
Heat	Yes	Yes	Yes	Yes

<b>Included in the Pro Forma Financial Information</b>	<b>FY20</b>	<b>FY21</b>	<b>1HY21</b>	<b>1HY22</b>
Hiro	Yes	Yes	Yes	Yes
Aware	Yes	Yes	Yes	Yes
Heat	Yes	Yes	Yes	Yes

Also summarised in Section 7 are:

- the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards that have been applied to the Financial Information (see Section 7.2);
- an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (AASB) or under the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that are used by Hiro and are included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 7.3);
- a summary of the key operating and financial metrics (see Section 7.4.2);
- the pro forma adjustments to the Statutory Financial Information and reconciliations to the Pro Forma Financial Information (see Sections 7.4, 7.5 and 7.6); and
- a summary of Hiro's proposed dividend policy (see Section 7.7).

The Financial Information presented in this Prospectus has been reviewed by BDO Corporate Finance (East Coast) Pty Limited (Investigating Accountant or BDO) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 8).

The information in Section 7 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

All amounts disclosed in Section 7 are presented in Australian dollars unless otherwise noted and are rounded to the nearest thousand. Rounding in the Financial Information may result in some discrepancies between the sum of components, the totals outlined within the tables and percentage calculations.

## **7.2. Basis of preparation and presentation of the Financial Information**

### **7.2.1. Overview**

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information in this Prospectus is intended to present potential investors and users with information to assist them in understanding the financial performance, cash flows and financial position of Hiro.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB, except for one off exceptional items that have been reported separately in the Statutory Results to provide investors with a better understanding of on-going costs.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 7.2.3 and have been consistently applied throughout the financial periods presented in this Prospectus, unless stated otherwise.

The Pro Forma Financial Information has been prepared solely for inclusion in this Prospectus and has been derived from the Statutory Financial Information adjusted for certain non-recurring transactions and pro forma adjustments as described further below.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, bar the one off exceptional items. In addition, the Pro Forma Financial Information contains adjustments that have been prepared in a manner consistent with AAS that reflects: (i) the exclusion of certain non-recurring transactions that occurred or are forecast to occur prior to the re-admission date; and (ii) the impact of certain transactions as if they occurred on or before 1 July 2019.

Due to its nature, the Pro Forma Financial Information does not represent the actual or prospective financial position, financial performance or cash flows of Hiro. However, the Directors believe that it provides useful information as it permits investors to examine what the Directors consider to be the underlying financial performance and cash flows of the business presented on a consistent basis and as if Hiro had been listed since 1 July 2019.

The Financial Information is presented in an abbreviated form insofar as it does not contain all of the presentation and disclosures, statements or comparative information as required by AAS, applicable to general purpose financial reports prepared in accordance with the Corporations Act.

## 7.2.2. Preparation of Financial Information

### Statutory Financial Information

The Statutory Financial Information has been extracted from the consolidated general purpose financial statements audited by the following firms in accordance with the Australian Auditing Standards.

Statutory Financial Information	Auditor	FY20	FY21	1HY21	1HY22
Hiro	RSM Australia Partners	N/A	N/A	N/A	Note 3 – Qualified Opinion
Aware	PKF Melbourne Audit & Assurances Pty Ltd	Note 2 – Unqualified Opinion with EOM	Note 2 – Unqualified Opinion with EOM	Note 1 – Unqualified Opinion with EOM	Note 1 – Unqualified Opinion with EOM
Heat	PricewaterhouseCoopers	Note 1 – Unqualified Opinion with EOM	Note 1 – Unqualified Opinion with EOM	Note 1 – Unqualified Opinion with EOM	Note 1 – Unqualified Opinion with EOM

- **Note 1** - Unqualified Opinion with Emphasis of Matter is in relation to material uncertainty relating to going concern.
- **Note 2** - Unqualified Opinion with Emphasis of Matter is in relation to material uncertainty relating to going concern. Moreover, as part of the Investigating Accountant's review of the FY20 and FY21 audit work papers, BDO identified various instances where audit procedures in FY20 and FY21 were not performed and/or documented in accordance with the Australian Auditing Standards. Similarly, PricewaterhouseCoopers (as auditor-elect of Hiro for the financial year ended 30 June 2022 (FY22)) examined the previous auditor's work papers and identified several areas where additional audit procedures were required to provide sufficient comfort over comparative information for FY21 to be included in the FY22 financial statements. PricewaterhouseCoopers did not identify any material misstatements from the additional audit procedures undertaken in relation to FY21.
- **Note 3** - Qualified audit opinion is in relation to other income driven by the forgiveness of borrowings, and trade and other payables as part of the DOCA, of which the carrying amounts were qualified as at 30 June 2021 as a consequence of the Company having entered into voluntary administration on 30 March 2021.

### Pro Forma Financial Information

The Pro Forma Financial Information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the Statutory Financial Information to illustrate the revenues, net profit after tax, assets, liabilities and cash flows of the Company adjusted for certain pro forma adjustments described below.

The Pro forma adjustments in respect of the statements of profit or loss are as described in Section 7.4.3 (Pro forma adjustments to the Statutory Results) of this Prospectus. In particular, the Pro forma adjustments have been made to reflect the following:

- inclusion of expected on-going public operating costs incurred by WNB in 1HY22.
- incremental costs associated with being a publicly listed company including Board and governance costs, audit, tax, legal and compliance related costs, and ASX listing fees, assuming these costs were incurred over the periods and as if Hiro was publicly listed since 1 July 2019.
- alignment of Aware and Heat's statutory accounts to Hiro's future reporting format.
- removal of profit on sale of the Actizyme brand that was previously sold in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
- removal of finance costs relating to the anticipated restructuring of debt and conversion of notes as if the Proposed Transactions had taken place as of 1 July 2019.
- elimination of intra-group transactions between Heat and Aware.

Furthermore, corporate tax impacts associated with pro forma adjustment have not been quantified, as carried forward tax losses available as at 30 June 2020 were circa \$17.2m and \$5.2m for Heat and Aware, respectively. As such, Management do not anticipate Hiro will incur tax expenses in the foreseeable future.

The Pro Forma adjustments in respect of the statements of cash flows are as described in Section 7.6.2 (Pro forma adjustments to the Statutory Financials) of this Prospectus. Pro forma adjustments applied to the statements of cash flows include the same pro forma adjustments applied to the income statements, as well as the following:

- removal of the proceeds from the sale of the Actizyme in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
- removal of the cash flows (proceeds and repayments) relating to the anticipated restructuring of debt and conversion of notes as if the Proposed Transactions had taken place as of 1 July 2019.

The Pro Forma Statement of Financial Position is derived from the Statutory Statement of Financial Position, and is adjusted to reflect:

- the consolidation of ordinary shares prior to all transaction steps.
- Hiro's acquisition of Aware and Heat and consolidating their related net assets at December 2021.
- conversion of various convertibles notes into equity linked to the Proposed Transactions.
- alignment of Aware and Heat's statutory accounts to Hiro's future reporting format.
- acquisition of the Actizyme Brand and payment of outstanding royalties incurred following the acquisition of the Aware by Heating Holdings Pty Ltd on 18 October 2021 to the re-listing date.
- roll forward of Hiro's financial position to the allotment date which reflects: 1) incremental seed investment received and spent on operations post 31 December 2021, and 2) recognition of material costs incurred by Hiro since 31 December 2021 which includes but is not limited to a legal settlement cost associated with the Australian Organic Brands Pty Ltd (AOB) asset acquisition on or around 1 July 2019 and material PAYGW obligations.
- equity settled employee/advisor fees.
- funds from the Offer used to repay external debt.
- the impact of the Offer (based on an equity raise of either \$25 million or \$35 million, including transaction costs directly attributable to the Offer offset against share capital (with the remainder expensed to retained earnings/accumulated losses).

The Pro Forma Statement of Financial Position also shows the corresponding number of additional shares and/or share adjustments relevant to the Proposed Transactions.

The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of Hiro. Investors should also note that past results are not a guarantee of future performance.

### **7.2.3. Significant Accounting Policies and Key Estimates**

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Hiro's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### **Key estimates and judgements**

##### *Goodwill and other indefinite life intangible assets*

Hiro tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

##### *Provision for impairment of inventories*

Inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realisable value. During the year, management have written down inventory based on best estimate of the net realisable value, although until the time that inventory is sold this is an estimate.

## *Receivables*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

## *Estimation of useful life of assets*

Hiro determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly due to economic, environmental or political factors, or some other event. The depreciation charge will increase where the useful life is deemed less than the previously estimated life, or technically obsolete or non-strategic assets that have been abandoned or sold will be written-off or written-down. At each reporting date Hiro evaluates conditions specific to particular assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

## **Accounting policies**

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Information:

### **a) Basis of consolidation**

The Financial Information comprise of the financial statements of Hiro and its subsidiaries (Aware and Heat) as disclosed in this Prospectus.

The financial statements of the subsidiaries are prepared for the same reporting period as Hiro, using consistent accounting policies. In preparing the Pro Forma Financial Information, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

### **b) Revenue recognition**

Revenue is recognised and measured in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*. Revenue is recognised when performance obligations outlined in contracts with customers have been satisfied and it is probable that Hiro will collect the consideration from the customer to which it is entitled. The following specific criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue is recognised when customers obtain control of goods as performance obligations are met at this time. The amount of revenue recognised is determined by the transaction price. The transaction price includes the price of the goods sold, as well as expected amounts which reduce the consideration received by Hiro, such as sales rebates, refunds and discounts.

### **c) Impairment of assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **d) Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Hiro has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### **e) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Hiro's incremental borrowing rate. Lease payments comprise of fixed payments less any variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: 1) future lease payments arising from a change in an index or a rate used; 2) residual guarantee; 3) lease term; and 4) certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### **f) Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads.

#### **g) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses.

#### **h) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed by Directors to ensure it is not in excess of the recoverable amount from these assets.

#### **i) Intangibles**

Goodwill acquired in a business combination is measured as being the excess of the cost of the business combination over Hiro's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at costs less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when

determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### **j) Business combinations**

The proposed acquisitions of Heat and Aware by Wellness are not treated as business combinations in accordance with AASB 3 *Business Combinations*, as all entities are already deemed to be under common control, and that control is not transitory. Rather, the predecessor value method has been applied using the most recent auditor reviewed accounts of each entity.

#### **k) Employee leave benefits**

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

#### **l) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction.

#### **m) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred tax assets have not been recognised in the historical reporting periods.

#### **n) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- when receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Statutory and Pro Forma Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

### 7.3. Non-IFRS measures and definitions

Certain financial measures included in this Prospectus are not recognised under AAS or IFRS. These measures are collectively referred in Section 7.3 and under ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information as “non-IFRS financial measures”.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS.

Although Hiro believes these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, they should be considered as supplements to the consolidated statement of profit or loss and consolidated statement of cash flow measures that have been presented in accordance with the AAS and IFRS, not as a replacement for them. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

The principal non-IFRS financial measures and other defined terms relevant to the financial information that are referred to in this Prospectus are discussed below.

**“Raw materials and consumables used”** includes raw materials, packaging, cost of purchased finished goods, related freight in costs and net of supplier rebates.

**“Raw materials margin”** is presented as Raw materials and consumables used to revenue.

**“Employee benefit expense”** is presented as all personnel and related costs (including salaries, wages, share based payments, payroll tax, superannuation, leave entitlements and other related on-costs).

**“One off exceptional items”** are presented as income or expenses that have been considered outside the routine business operations. An exceptional item is also a large number with a substantial impact on the company's profit or loss, but it is closely related to its day-to-day business, such as inventory and receivable write-downs.

**“Cost doing business”** defined as all operating expenses excluding raw materials and consumables used, Employee benefit expense and Advertising and promotion expense.

**“EBITDA”** is earnings before interest, taxes, depreciation and amortisation.

**“EBIT”** is earnings before interest and tax.

**“Net operating cash flow”** represents NPAT after the add back of non-cash items and the impact of working capital movements.

**“Net cash flow”** is presented as net cash flow excluding cash inflows / (outflows) associated with the Proposed Transactions.

**“NPAT”** is the net profit/(loss) after income tax expenses.

## 7.4. Statutory and Pro Forma Results

### 7.4.1. Statutory and Pro Forma Results

Table 2 summarises Hiro's Pro Forma Results for FY20 and FY21.

**Table 2: Statutory Results and Pro Forma Results for FY20 and FY21**

\$'000	Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
		FY20	FY21	FY20	FY21	FY20	FY21
Revenue		101,315	95,761	101,315	95,761	101,315	95,761
Raw materials and consumables used	2	(60,426)	(58,951)	(62,973)	(56,753)	(62,973)	(56,753)
Employee benefits expense	2,3	(30,871)	(22,836)	(31,729)	(28,409)	(31,729)	(28,409)
Contract labour costs		(373)	(251)	(373)	(251)	(373)	(251)
Consulting and professional costs	1,3	(635)	(930)	(1,083)	(1,388)	(1,083)	(1,388)
Advertising and promotion expense	3	(2,455)	(1,694)	(2,495)	(1,734)	(2,495)	(1,734)
Freight and distribution expenses	2	(940)	(902)	(2,726)	(3,136)	(2,726)	(3,136)
Premises occupancy expense	1	(612)	(825)	(613)	(832)	(613)	(832)
Utilities, rates and taxes		(1,039)	(1,203)	(1,039)	(1,203)	(1,039)	(1,203)
Repairs and maintenance		(865)	(649)	(865)	(649)	(865)	(649)
Insurances	3	(437)	(531)	(707)	(801)	(707)	(801)
Information technology and communications		(393)	(364)	(393)	(364)	(393)	(364)
Impairment of receivables		(35)	(206)	-	-	-	-
Impairment of goodwill		(4,701)	(4,400)	-	-	-	-
Other income		814	901	-	-	-	-
Other operating expenses	1,2,3	(2,667)	(2,500)	(4,899)	(4,558)	(4,899)	(4,558)
<b>EBITDA before exceptional items</b>		<b>(4,324)</b>	<b>421</b>	<b>(8,582)</b>	<b>(4,317)</b>	<b>(8,582)</b>	<b>(4,317)</b>
One off exceptional items	2,4	(7,763)	(6,723)	(7,399)	(4,606)	(7,399)	(4,606)
Depreciation & amortisation		(5,894)	(6,406)	(5,894)	(6,406)	(5,894)	(6,406)
<b>EBIT</b>		<b>(17,981)</b>	<b>(12,708)</b>	<b>(21,875)</b>	<b>(15,330)</b>	<b>(21,875)</b>	<b>(15,330)</b>
Borrowing costs	5	(3,306)	(3,477)	(2,717)	(2,607)	(2,550)	(2,453)
<b>PBT</b>		<b>(21,287)</b>	<b>(16,185)</b>	<b>(24,592)</b>	<b>(17,937)</b>	<b>(24,425)</b>	<b>(17,782)</b>
Income tax benefit/(expense)		(1,779)	-	(1,779)	-	(1,779)	-
<b>NPAT</b>	6	<b>(23,066)</b>	<b>(16,185)</b>	<b>(26,371)</b>	<b>(17,937)</b>	<b>(26,204)</b>	<b>(17,782)</b>

#### Notes:

1. Inclusion of expected on-going public operating costs incurred by WNB in 1HY22, as WNB was excluded from the Statutory Results.
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net profit after tax).
3. Adjustments have been made for the estimated incremental public company expenses of circa \$2.5 million per year as if Hiro was an ASX-listed company in each prior reporting period. The annual listed company costs include additional director fees, CEO employment cost, insurance for directors and officers, company secretary fees, audit fees, annual ASX listing fees, expenses associated with investor relations and communication, legal fees, costs associated with producing annual reports, road show costs, travel costs and other related costs.
4. This adjustment removes the profit on sale of the Actizyme brand that was previously sold in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.

The table below details One Off Exceptional items disclosed in the Statutory Results and pro forma adjustments:

\$'000	FY20	FY21
<b>Aware</b>		
Profit from sale of Actizyme brand	1,283	-
Government grants for manufacturing and funding support	363	253
Recovery from property expenses	-	544
Inventory write-offs	(3,746)	(5,217)
Premises and site development costs	(1,226)	(442)
Business advisory and capital acquisition costs	(206)	-
Personnel restructure and founder transition costs	(318)	(221)
Business transformation and sale of business costs	(1,026)	(159)
Share-based expenses	(1,097)	(1,083)
Bad debt write-offs	(1,790)	(398)
<b>One off exceptional items in Statutory Financial Information</b>	<b>(7,763)</b>	<b>(6,723)</b>
<b>Proforma adjustments</b>		
Profit from sale of Actizyme brand	(1,283)	-
Inventory write-offs - reclassified per Note 2	-	5,217
Bad debt write-offs - reclassified per Note 2	1,790	398
Impairment of Goodwill - reclassified per Note 2	(4,701)	(4,400)
COVID-19 related grants received by Heat - reclassified per Note 2	812	902
<b>One off exceptional items in Pro Forma Financial Information</b>	<b>(7,399)</b>	<b>(4,606)</b>

#### Notes:

1. This adjustment represents the reversal of finance costs to represent Hiro's capital structure as if it were listed from 1 July 2019.
2. Statutory and Pro Forma NPAT has been reconciled in Table 5.

Table 3 sets out the statutory and pro forma results for 1HY21 and 1HY22.

**Table 3: Statutory Results and Pro Forma Results for 1HY21 and 1HY22**

\$'000	Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
		1HY21	1HY22	1HY21	1HY22	1HY21	1HY22
Revenue	5	57,772	34,828	57,772	34,703	57,772	34,703
Raw materials and consumables used	2,4,5	(32,849)	(22,433)	(30,646)	(19,545)	(30,646)	(19,545)
Employee benefits expense	2,3	(13,160)	(8,189)	(15,786)	(11,238)	(15,786)	(11,238)
Contract labour costs		(205)	(165)	(205)	(165)	(205)	(165)
Consulting and professional costs	1,3	(663)	(649)	(916)	(851)	(916)	(851)
Advertising and promotion expense	3	(824)	(1,080)	(844)	(1,100)	(844)	(1,100)
Freight and distribution expenses		(1,853)	(1,364)	(1,853)	(1,364)	(1,853)	(1,364)
Premises occupancy expense	1,2	(633)	(526)	(633)	(579)	(633)	(579)
Utilities, rates and taxes		(573)	(352)	(573)	(352)	(573)	(352)
Repairs and maintenance		(318)	(154)	(318)	(154)	(318)	(154)
Insurances	3	(242)	(228)	(377)	(363)	(377)	(363)
Information technology and communications		(163)	(196)	(163)	(196)	(163)	(196)
Impairment of receivables	2	(33)	(47)	-	-	-	-
Impairment of goodwill		-	-	-	-	-	-
Other income	2	901	-	-	-	-	-
Other operating expenses	1,2,3	(1,601)	(1,401)	(2,138)	(1,656)	(2,138)	(1,656)
<b>EBITDA before exceptional items</b>		<b>5,555</b>	<b>(1,956)</b>	<b>3,320</b>	<b>(2,860)</b>	<b>3,320</b>	<b>(2,860)</b>
One off exceptional items	2	(284)	(168)	616	(415)	616	(415)
Depreciation & amortisation		(3,197)	(3,226)	(3,197)	(3,226)	(3,197)	(3,226)
<b>EBIT</b>		<b>2,073</b>	<b>(5,350)</b>	<b>740</b>	<b>(6,501)</b>	<b>740</b>	<b>(6,501)</b>
Borrowing costs	5	(1,893)	(1,056)	(1,460)	(814)	(1,383)	(737)
<b>PBT</b>		<b>180</b>	<b>(6,407)</b>	<b>(720)</b>	<b>(7,315)</b>	<b>(643)</b>	<b>(7,238)</b>
Income tax benefit/(expense)		(164)	-	(164)	-	(164)	-
<b>NPAT</b>	6	<b>16</b>	<b>(6,407)</b>	<b>(884)</b>	<b>(7,315)</b>	<b>(807)</b>	<b>(7,238)</b>

**Notes:**

1. Inclusion of expected on-going public operating costs incurred by WNB in 1HY22, as WNB was excluded from the Statutory Results.
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net profit after tax).

The table below details One Off Exceptional items disclosed in the Statutory Results and pro forma adjustments:

\$'000	1HY21	1HY22
<b>Aware</b>		
Government grants for manufacturing and funding support	-	38
Inventory write-offs	-	247
Premises and site development costs	(123)	-
Business advisory and capital acquisition costs	-	-
Personnel restructure and founder transition costs	-	-
Business transformation and sale of business costs	(161)	(453)
Share-based expenses	-	-
Bad debt write-offs	-	-
<b>Total One off exceptional items in Statutory Accounts</b>	<b>(284)</b>	<b>(168)</b>
<b>Proforma adjustments</b>		
Inventory write-offs - reclassified per Note 2	-	(247)
Bad debt write-offs - reclassified per Note 2	-	-
COVID-19 related grants received by Heat - reclassified per Note 2	901	-
<b>Total One off exceptional items in Pro Forma</b>	<b>616</b>	<b>(415)</b>

1. Adjustments have been made for the estimated incremental public company expenses of circa \$2.5 million per year as if Hiro was an ASX-listed company in each prior reporting period. The annual listed company costs include additional director fees, CEO employment cost, insurance for directors and officers, company secretary fees, audit fees, annual ASX listing fees, expenses associated with investor relations and communication, legal fees, costs associated with producing annual reports, road show costs, travel costs and other related costs.
2. Removal of license fees associated with Actizyme brand that was previously owned by a third party, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
3. The adjustment represents the reversal of historical finance costs to represent Hiro's capital structure as if it were listed from 1 July 2019 and eliminations intra-group transactions between Aware and Heat.
4. Statutory and Pro Forma NPAT has been reconciled in Table 6.

## 7.4.2. Key operating and financial metrics

Table 4 sets out a summary of the key pro forma financial metrics for Hiro.

**Table 4: Pro forma key financial metrics**

Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
	FY20	FY21	FY20	FY21	FY20	FY21
EBITDA before exceptional items to revenue	-4.3%	0.4%	-8.5%	-4.5%	-8.5%	-4.5%
Raw materials margin	40.4%	38.4%	37.8%	40.7%	37.8%	40.7%
Employee benefit expenses to revenue	30.5%	23.8%	31.3%	29.7%	31.3%	29.7%
Advertising and promotion expense to revenue	2.4%	1.8%	2.5%	1.8%	2.5%	1.8%
Cost of doing business to revenue	11.7%	12.4%	12.5%	13.8%	12.5%	13.8%

Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
	1HY21	1HY22	1HY21	1HY22	1HY21	1HY22
EBITDA before exceptional items to revenue	9.6%	-5.6%	5.7%	-8.2%	5.7%	-8.2%
Raw materials margin	43.1%	35.6%	47.0%	43.7%	47.0%	43.7%
Employee benefit expenses to revenue	22.8%	23.5%	27.3%	32.4%	27.3%	32.4%
Advertising and promotion expense to revenue	1.4%	3.1%	1.5%	3.2%	1.5%	3.2%
Cost of doing business to revenue	9.3%	14.6%	12.4%	16.4%	12.4%	16.4%

**Notes:**

1. Differences in Statutory and Pro Forma relate to adjustments disclosed in 7.4.1.

## 7.4.3. Pro forma adjustments to the Statutory Results

Table 5 sets out the pro forma adjustments that have been made to NPAT in the FY20 and FY21 periods.

**Table 5: Pro forma adjustments to the Statutory Results**

\$'000	Note	\$25m equity raise		\$35m equity raise	
		FY20	FY21	FY20	FY21
Statutory net profit after tax		(23,066)	(16,185)	(23,066)	(16,185)
Wellness operating costs	1	(128)	(128)	(128)	(128)
Alignment with Hiro reporting format	2	-	-	-	-
Incremental public costs	3	(2,483)	(2,494)	(2,483)	(2,494)
Profit from sale of Actizyme brand	4	(1,283)	-	(1,283)	-
Finance costs savings	5	589	870	755	1,024
<b>Pro forma net profit after tax</b>		<b>(26,371)</b>	<b>(17,937)</b>	<b>(26,204)</b>	<b>(17,782)</b>

**Notes:**

1. Inclusion of expected on-going public operating costs incurred by WNB in 1HY22, as WNB was excluded from the Statutory Results.
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net profit after tax).
3. Adjustments have been made for the estimated incremental public company expenses of circa \$2.5 million per year as if Hiro was an ASX-listed company in each prior reporting period. The annual listed company costs include additional director fees, CEO employment cost, insurance for directors and officers, company secretary fees, audit fees, annual ASX listing fees, expenses associated with investor relations and communication, legal fees, costs associated with producing annual reports, road show costs, travel costs and other related costs.
4. This adjustment removes the profit on sale of the Actizyme brand that was previously sold in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
5. This adjustment represents the reversal of finance costs to represent Hiro's capital structure as if it were listed from 1 July 2019.

Table 6 sets out the pro forma adjustments that have been made to NPAT in the 1HY21 and 1HY22 periods.

**Table 6: Pro forma adjustments to the Statutory Results**

\$'000	Note	\$25m equity raise		\$35m equity raise	
		1HY21	1HY22	1HY21	1HY22
Statutory net profit after tax		16	(6,407)	16	(6,407)
Wellness operating costs	1	(64)	(64)	(64)	(64)
Alignment with Hiro reporting format	2	-	-	-	-
Incremental public costs	3	(1,270)	(1,219)	(1,270)	(1,219)
Licence fees associated with Actizyme brand	4	-	133	-	133
Intra-group transactions and finance costs savings	5	434	242	511	319
<b>Pro forma net profit after tax</b>		<b>(884)</b>	<b>(7,315)</b>	<b>(807)</b>	<b>(7,238)</b>

**Notes:**

1. Inclusion of expected on-going public operating costs incurred by WNB in 1HY22, as WNB was excluded from the Statutory Results.
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net profit after tax).

3. Adjustments have been made for the estimated incremental public company expenses of circa \$2.5 million per year as if Hiro was an ASX-listed company in each prior reporting period. The annual listed company costs include additional director fees, CEO employment cost, insurance for directors and officers, company secretary fees, audit fees, annual ASX listing fees, expenses associated with investor relations and communication, legal fees, costs associated with producing annual reports, road show costs, travel costs and other related costs.
4. Removal of license fees associated with Actizyme brand that was previously owned by a third party, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
5. The adjustment represents the reversal of historical finance costs to represent Hiro's capital structure as if it were listed from 1 July 2019 and eliminations intra-group transactions between Aware and Heat.

## 7.5. Statutory and Pro Forma Statement of Financial Position

### 7.5.1. Overview – Based on \$25 million Equity Raise

Table 7 sets out a summary of the Statutory Statement of Financial Position as at 31 December 2021, adjusted for certain pro forma adjustments to take into account the effect of the Offer proceeds (based on a \$25 million equity raise), Offer costs and other items as set out below. These adjustments reflect the impact of the change in capital structure that will take place as part of the Offer, as if this occurred at 31 December 2021.

**Table 7: Statutory Statement of Financial Position and Pro Forma Statement of Financial Position as at 31 December 2021 based on a \$25 million Equity Raise**

\$'000	Wellness Statutory Dec-21	\$25m equity raise												Hiro Pro Forma Allotment date
		Consolidation of shares Adj 1	Acquisition of Aware Adj 2	Consolidation of Aware Adj 3	Acquisition of Heat Adj 4	Consolidation of Heat Adj 5	Conversion of notes Adj 6	Group alignment reclassifications Adj 7	Acquisition of Actizyme Adj 8	Director / CEO Fees Adj 9	Roll forward of balance sheet Adj 10	Debt restructuring Adj 11	Equity raise & transaction costs Adj 12	
Cash and cash equivalents	-	-	(1,512)	1,587	-	58	-	-	(2,808)	-	(200)	(7,000)	25,000	15,126
Trade and other receivables	31	-	-	5,379	-	3,161	-	178	-	-	-	-	-	8,749
Inventories	-	-	-	7,074	-	2,379	-	-	-	-	-	-	-	9,453
Income tax refundable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	493	-	-	-	-	-	-	-	-	-	493
<b>Total current assets</b>	<b>31</b>	<b>-</b>	<b>(1,512)</b>	<b>14,533</b>	<b>-</b>	<b>5,598</b>	<b>-</b>	<b>178</b>	<b>(2,808)</b>	<b>-</b>	<b>(200)</b>	<b>(7,000)</b>	<b>25,000</b>	<b>33,821</b>
Trade and other receivables - NC	-	-	-	-	-	141	-	-	-	-	-	-	-	141
Property, plant and equipment	-	-	-	11,203	-	1,564	-	-	-	-	-	-	-	12,767
Customer contract assets	-	-	-	186	-	-	-	-	-	-	-	-	-	186
Intangibles	-	-	-	9,170	-	890	-	-	2,500	-	-	-	-	12,560
Right-of-use assets	-	-	-	29,051	-	823	-	-	-	-	-	-	-	29,874
Investments	-	-	350	(350)	12,610	(12,610)	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>350</b>	<b>49,260</b>	<b>12,610</b>	<b>(9,192)</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,528</b>
<b>Total assets</b>	<b>31</b>	<b>-</b>	<b>(1,161)</b>	<b>63,793</b>	<b>12,610</b>	<b>(3,594)</b>	<b>-</b>	<b>178</b>	<b>(308)</b>	<b>-</b>	<b>(200)</b>	<b>(7,000)</b>	<b>25,000</b>	<b>89,349</b>
Trade and other payables	(593)	-	11,711	(18,758)	-	(4,575)	-	(178)	133	-	(1,098)	-	(2,667)	(16,025)
Interest-bearing loans and borrowings	(126)	-	(4,721)	(19,324)	-	(5,393)	11,487	-	-	-	(350)	7,000	-	(11,427)
Lease liabilities	-	-	-	(2,153)	-	(342)	-	-	-	-	-	-	-	(2,495)
Provisions	-	-	-	(828)	-	(752)	-	-	-	-	-	-	-	(1,580)
Income tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>(719)</b>	<b>-</b>	<b>6,990</b>	<b>(41,063)</b>	<b>-</b>	<b>(11,062)</b>	<b>11,487</b>	<b>(178)</b>	<b>133</b>	<b>-</b>	<b>(1,448)</b>	<b>7,000</b>	<b>(2,667)</b>	<b>(31,527)</b>
Trade and other payables - NC	-	-	-	-	-	-	-	-	-	-	(240)	-	-	(240)
Interest-bearing loans and borrowings - NC	-	-	-	(469)	-	(3,149)	1,750	-	-	-	-	-	-	(1,868)
Lease liabilities - NC	-	-	-	(30,552)	-	(652)	-	-	-	-	-	-	-	(31,204)
Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions - NC	-	-	-	(180)	-	(27)	-	-	-	-	-	-	-	(207)
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,201)</b>	<b>-</b>	<b>(3,828)</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(240)</b>	<b>-</b>	<b>-</b>	<b>(33,519)</b>
<b>Total liabilities</b>	<b>(719)</b>	<b>-</b>	<b>6,990</b>	<b>(72,264)</b>	<b>-</b>	<b>(14,890)</b>	<b>13,237</b>	<b>(178)</b>	<b>133</b>	<b>-</b>	<b>(1,688)</b>	<b>7,000</b>	<b>(2,667)</b>	<b>(65,046)</b>
<b>Net assets</b>	<b>(688)</b>	<b>-</b>	<b>5,829</b>	<b>(8,471)</b>	<b>12,610</b>	<b>(18,484)</b>	<b>13,237</b>	<b>-</b>	<b>(175)</b>	<b>-</b>	<b>(1,888)</b>	<b>-</b>	<b>22,333</b>	<b>24,302</b>
Contributed equity	46,595	-	105	-	12,610	-	13,311	-	-	400	4,250	-	22,999	100,270
Reserve	225	-	8,711	(8,471)	-	(18,484)	-	-	-	-	-	-	-	(18,020)
Retained earnings/(accumulated losses)	(47,508)	-	(2,987)	-	-	-	(74)	-	(175)	(400)	(6,138)	-	(666)	(57,948)
<b>Total equity</b>	<b>(688)</b>	<b>-</b>	<b>5,829</b>	<b>(8,471)</b>	<b>12,610</b>	<b>(18,484)</b>	<b>13,237</b>	<b>-</b>	<b>(175)</b>	<b>-</b>	<b>(1,888)</b>	<b>-</b>	<b>22,333</b>	<b>24,302</b>
Shares outstanding ('000)	135,409	(133,326)	209	-	25,045	-	12,363	-	-	257	3,028	-	14,739	57,723
Net assets per share (\$)	(0.01)													0.42

**Adjustments:**

1. Pertains to the consolidation of ordinary shares on a 1:65 basis, prior to all transaction steps.
2. Reflects Hiro's acquisition of Aware from Heat Holdings Pty Ltd, which involves: a) circa \$3.0 million of Elevon advisory fees in the form of convertible notes (circa \$1.5 million) and cash (\$1.5 million), in relation to the successful sale of Aware to Heat Holdings Pty Ltd, to be ultimately paid by Hiro; b) an investment of circa \$0.4 million payable via Hiro shares (circa \$0.1 million), convertible notes (circa \$0.2 million) and cash settlement (\$0.1 million); and c) Aware forgiving \$8.7 million of related party debt and subscribing to \$5.0 million of convertibles notes in Hiro. The debt forgiveness was recognised as reserves in Hiro.
3. Consolidates Aware's net assets at Dec-21 and eliminates the \$0.4 million investment in Aware arising from Adjustment 2.
4. The purchase of Heat from Heat Holdings Pty Ltd for circa \$12.6 million via equity interests in Hiro.
5. Consolidates Heat's net assets at December 2021 into Hiro and eliminates the circa \$12.6 million investment in Heat arising from Adjustment 4.
6. Represents the conversion of a) convertibles notes issued to Elevon (circa \$1.5 million); b) convertible notes issued to Heat Holdings (\$0.2 million); c) convertible notes issued to Aware related parties (\$5.0 million); d) convertibles notes recognised in Aware (\$4.2 million at December 2021); e) DOCA convertibles notes (circa \$0.1 million at December 2021 with a face value \$0.2 million); and f) convertible notes recognised in Heat (circa \$3.7m at December 2021). The difference between DOCA convertible note par value and fair value has been recognised in retained earnings as a cost.
7. Alignment of Aware and Heat's statutory accounts to Hiro's future reporting format.
8. Acquisition of the Actizyme brand for \$2.5 million and payment of outstanding royalties incurred following the acquisition of the Aware by Heating Holdings Pty Ltd on 18 October 2021 to re admission date.
9. Equity settled employee/advisor fees.
10. Represents a) settlement of prior year acquisition of AOB business, post 31 December 2021 for \$0.3 million payable over 31 months; b) Additional Australian Tax Office liabilities incurred post 31 December 2021 of circa \$1.2 million on a payment plan, of which circa \$1.0 to be repaid from equity raised proceeds; and c) receipt of a related party loan and the balance of seed investment which was spent on operations subsequent to 31 December 2021.
11. Funds from the Offer used to repay external debt of \$7.0 million.
12. Cash increase reflecting the primary equity raised through proceeds of the Offer of \$25.0 million, less total Offer costs of circa \$2.7 million expected to be incurred, of which \$2.0 million relates to costs that are directly attributable to the Offer and offset against share capital, with the remainder of \$0.7 million expensed to accumulated losses in accordance with AAS.

**Notes:**

Share outstanding: Each adjustment relating to the Pro Forma Statement of Financial Position shows the corresponding number of additional shares or share adjustments relevant to adjustment transaction.

## 7.5.2. Overview - Based on \$35 million Equity Raise

Table 8 sets out a summary of the Statutory Statement of Financial Position as at 31 December 2021, adjusted for certain pro forma adjustments to take into account the effect of the Offer proceeds (based on a \$35 million equity raise), Offer costs and other items as set out below. These adjustments reflect the impact of the change in capital structure that will take place as part of the Offer, as if this occurred at 31 December 2021.

**Table 8: Statutory Statement of Financial Position and Pro Forma Statement of Financial Position as at 31 December 2021 based on a \$35 million Equity Raise**

	\$35m equity raise													
	Wellness Statutory Dec-21	Consolidation of shares Adj 1	Acquisition of Aware Adj 2	Consolidation of Aware Adj 3	Acquisition of Heat Adj 4	Consolidation of Heat Adj 5	Conversion of notes Adj 6	Group alignment reclassifications Adj 7	Acquisition of Actizyme Adj 8	Director / CEO Fees Adj 9	Roll forward of balance sheet Adj 10	Debt restructuring Adj 11	Equity raise & transaction costs Adj 12	Hiro Pro Forma Allotment date
\$'000														
Cash and cash equivalents	-	-	(1,512)	1,587	-	58	-	-	(2,808)	-	(200)	(10,000)	35,000	22,126
Trade and other receivables	31	-	-	5,379	-	3,161	-	178	-	-	-	-	-	8,749
Inventories	-	-	-	7,074	-	2,379	-	-	-	-	-	-	-	9,453
Income tax refundable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	493	-	-	-	-	-	-	-	-	-	493
Total current assets	31	-	(1,512)	14,533	-	5,598	-	178	(2,808)	-	(200)	(10,000)	35,000	40,821
Trade and other receivables - NC	-	-	-	-	-	141	-	-	-	-	-	-	-	141
Property, plant and equipment	-	-	-	11,203	-	1,564	-	-	-	-	-	-	-	12,767
Customer contract assets	-	-	-	186	-	-	-	-	-	-	-	-	-	186
Intangibles	-	-	-	9,170	-	890	-	-	2,500	-	-	-	-	12,560
Right-of-use assets	-	-	-	29,051	-	823	-	-	-	-	-	-	-	29,874
Investments	-	-	350	(350)	12,610	(12,610)	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	-	-	350	49,260	12,610	(9,192)	-	-	2,500	-	-	-	-	55,528
Total assets	31	-	(1,161)	63,793	12,610	(3,594)	-	178	(308)	-	(200)	(10,000)	35,000	96,349
Trade and other payables	(593)	-	11,711	(18,758)	-	(4,575)	-	(178)	133	-	(1,098)	-	(3,217)	(16,575)
Interest-bearing loans and borrowings	(126)	-	(4,721)	(19,324)	-	(5,393)	11,487	-	-	-	(350)	10,000	-	(8,427)
Lease liabilities	-	-	-	(2,153)	-	(342)	-	-	-	-	-	-	-	(2,495)
Provisions	-	-	-	(828)	-	(752)	-	-	-	-	-	-	-	(1,580)
Income tax payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	(719)	-	6,990	(41,063)	-	(11,062)	11,487	(178)	133	-	(1,448)	10,000	(3,217)	(29,077)
Trade and other payables - NC	-	-	-	-	-	-	-	-	-	-	(240)	-	-	(240)
Interest-bearing loans and borrowings - NC	-	-	-	(469)	-	(3,149)	1,750	-	-	-	-	-	-	(1,868)
Lease liabilities - NC	-	-	-	(30,552)	-	(652)	-	-	-	-	-	-	-	(31,204)
Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions - NC	-	-	-	(180)	-	(27)	-	-	-	-	-	-	-	(207)
Total non-current liabilities	-	-	-	(31,201)	-	(3,828)	1,750	-	-	-	(240)	-	-	(33,519)
Total liabilities	(719)	-	6,990	(72,264)	-	(14,890)	13,237	(178)	133	-	(1,688)	10,000	(3,217)	(62,596)
Net assets	(688)	-	5,829	(8,471)	12,610	(18,484)	13,237	-	(175)	-	(1,888)	-	31,783	33,752
Contributed equity	46,595	-	105	-	12,610	-	13,311	-	-	400	4,250	-	32,499	109,770
Reserve	225	-	8,711	(8,471)	-	(18,484)	-	-	-	-	-	-	-	(18,020)
Retained earnings/(accumulated losses)	(47,508)	-	(2,987)	-	-	-	(74)	-	(175)	(400)	(6,138)	-	(716)	(57,998)
Total equity	(688)	-	5,829	(8,471)	12,610	(18,484)	13,237	-	(175)	-	(1,888)	-	31,783	33,752
Shares outstanding ('000)	135,409	(133,326)	209	-	25,045	-	12,363	-	-	257	3,028	-	14,739	57,723
Net assets per share (\$)	(0.01)													0.58

### Adjustments:

- Pertains to the consolidation of ordinary shares on a 1:65 basis, prior to all transaction steps.
- Reflects Hiro's acquisition of Aware from Heat Holdings Pty Ltd, which involves: a) circa \$3.0 million of Elevon advisory fees in the form of convertible notes (circa \$1.5 million) and cash (\$1.5 million), in relation to the successful sale of Aware to Heat Holdings Pty Ltd, to be ultimately paid by Hiro; b) an investment of circa \$0.4 million payable via Hiro shares (circa \$0.1 million), convertible notes (circa \$0.2 million) and cash settlement (\$0.1 million); and c) Aware forgiving \$8.7 million of related party debt and subscribing to \$5.0 million of convertibles notes in Hiro. The debt forgiveness was recognised as reserves in Hiro.
- Consolidates Aware's net assets at Dec-21 and eliminates the \$0.4 million investment in Aware arising from Adjustment 2.

4. The purchase of Heat from Heat Holdings Pty Ltd for circa \$12.6 million via equity interests in Hiro.
5. Consolidates Heat's net assets at December 2021 into Hiro and eliminates the circa \$12.6 million investment in Heat arising from Adjustment 4.
6. Represents the conversion of a) convertibles notes issued to Elevon (circa \$1.5 million); b) convertible notes issued to Heat Holdings (\$0.2 million); c) convertible notes issued to Aware related parties (\$5.0 million); d) convertibles notes recognised in Aware (\$4.2 million at December 2021); e) DOCA convertibles notes (circa \$0.1 million at December 2021 with a face value \$0.2 million); and f) convertible notes recognised in Heat (circa \$3.7m at December 2021). The difference between DOCA convertible note par value and fair value has been recognised in retained earnings as a cost.
7. Alignment of Aware and Heat's statutory accounts to Hiro's future reporting format.
8. Acquisition of the Actizyme brand for \$2.5 million and payment of outstanding royalties incurred following the acquisition of the Aware by Heating Holdings Pty Ltd on 18 October 2021 to re admission date.
9. Equity settled employee/advisor fees.
10. Represents a) settlement of prior year acquisition of AOB business, post 31 December 2021 for \$0.3 million payable over 31 months; b) Additional Australian Tax Office liabilities incurred post 31 December 2021 of circa \$1.2 million on a payment plan, of which circa \$1.0 to be repaid from equity raised proceeds; and c) receipt of a related party loan and the balance of seed investment which was spent on operations subsequent to 31 December 2021.
11. Funds from the Offer used to repay external debt of \$10.0 million.

Cash increase reflecting the primary equity raised through proceeds of the Offer of \$35.0 million, less total Offer costs of circa \$3.2 million expected to be incurred, of which \$2.5 million relates to costs that are directly attributable to the Offer and offset against share capital, with the remainder of \$0.7 million expensed to accumulated losses in accordance with AAS

**Notes:**

Share Outstanding: Each Adjustment relating to the Pro Forma Statement of Financial Position shows the corresponding number of additional shares or share adjustments relevant to adjustment transaction.

## 7.6. Statutory and Pro Forma Cash Flows

### 7.6.1. Statutory Cash Flows and Pro Forma Cash Flows

Table 9 summarises the Statutory Cash Flows and Pro Forma Cash Flows for FY20 and FY21

**Table 9: Summary of Statutory and Pro Forma Cash Flows for FY20 and FY21**

\$'000	Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
		FY20	FY21	FY20	FY21	FY20	FY21
Cash flows from operating activities							
Cash receipts from customers		103,492	107,611	103,492	107,611	103,492	107,611
Interest revenue		-	-	-	-	-	-
Payments to suppliers, employees and others	1, 3	(114,111)	(106,288)	(116,824)	(109,013)	(116,824)	(109,013)
Borrowing costs	6	(1,392)	(2,824)	(945)	(2,415)	(945)	(2,415)
Income tax (paid) / received		586	(161)	586	(161)	586	(161)
Net cash flows from operating activities		(11,424)	(1,663)	(13,691)	(3,978)	(13,691)	(3,978)
Cash flows from investing activities							
Payments for investments	2	(1,249)	-	(1,249)	(375)	(1,249)	(375)
Proceeds on sale of brands	4	2,000	-	-	-	-	-
Proceeds from sale of property, plant and equipment		-	44	-	44	-	44
Purchase of property, plant and equipment		(3,997)	(2,372)	(3,997)	(2,372)	(3,997)	(2,372)
Payment on lease liability		-	-	-	-	-	-
Payment for Intangible assets		(1,185)	(1,144)	(1,185)	(1,144)	(1,185)	(1,144)
Payment for customer contract assets		-	-	-	-	-	-
Payment of deferred purchase consideration	2	-	(375)	-	-	-	-
Net cash flows from investing activities		(4,432)	(3,847)	(6,432)	(3,847)	(6,432)	(3,847)
Cash flows from financing activities							
Net proceeds from (repayment of) borrowings	5	10,071	(422)	8,321	(422)	8,321	(422)
Net loan from related parties	5	3,284	7,304	789	(100)	789	(100)
Repayment of lease liabilities		(2,713)	(2,493)	(2,713)	(2,493)	(2,713)	(2,493)
Repayment of equipment loans		-	-	-	-	-	-
Proceeds from equipment loans		-	-	-	-	-	-
Proceeds from other loans	5	-	2,151	-	(849)	-	(2,660)
Repayment on other loans		(1,284)	(1,450)	(1,284)	(1,450)	(1,284)	(1,450)
Proceeds from issue of convertible notes	5	2,000	-	-	-	-	-
Proceeds from issue of capital		4,766	-	4,766	-	4,766	-
Offer proceeds		-	-	-	-	-	-
Offer costs		-	-	-	-	-	-
Net cash flows from financing activities		16,124	5,089	9,878	(5,315)	9,878	(7,126)
Net increase/(decrease) in cash held	7	269	(421)	(10,244)	(13,140)	(10,244)	(14,951)

**Notes:**

1. Adjustment made to include the expected on-going public operating costs incurred by WNB in 1HY22 plus GST (10%).
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net cash flows).
3. Adjustments made for the estimated incremental public company expenses as if Hiro was an ASX-listed company in each prior reporting periods. Note, the payments to suppliers, employees and others adjustment includes GST on anticipated costs, except items associated with employee benefit expenses.
4. Removal of funds received on sale of the Actizyme brand that was previously sold in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
5. Heat and Aware raised funds through external debt and issue of shares/convertible notes. The adjustment reverses the cash flows related to these transactions to reflect the capital structure of the listed entity as if it were in place as at 1 July 2019.
6. The adjustment represents the reversal of finance costs paid to represent Hiro's capital structure as if it were listed from 1 July 2019.
7. Statutory and Pro Forma net cash flows have been reconciled in Table 11.

Table 10 Summarises the Statutory Cash Flows and the Pro Forma Statutory Cash Flows

**Table 10: Statutory Cash Flows and Pro Forma for 1H FY20 and 1HY21F**

\$'000	Note	Statutory		Pro Forma (\$25m)		Pro Forma (\$35m)	
		1HY21	1HY22	1HY21	1HY22	1HY21	1HY22
Cash flows from operating activities							
Cash receipts from customers	4	64,631	39,825	64,631	39,688	64,631	39,688
Interest revenue		-	-	-	-	-	-
Payments to suppliers, employees and others	1,2,4	(61,197)	(40,487)	(62,585)	(41,681)	(62,585)	(41,681)
Borrowing costs	4	(1,646)	(1,056)	(1,441)	(903)	(1,441)	(903)
Income tax (paid) / received		(73)	161	(73)	161	(73)	161
Net cash flows from operating activities		1,715	(1,557)	532	(2,735)	532	(2,735)
Cash flows from investing activities							
Payments for investments		-	-	-	-	-	-
Proceeds on sale of brands		-	-	-	-	-	-
Proceeds from sale of property, plant and equipment		30	9	30	9	30	9
Purchase of property, plant and equipment		(1,489)	(1,464)	(1,489)	(1,464)	(1,489)	(1,464)
Payment on lease liability		-	-	-	-	-	-
Payment for Intangible assets		(862)	(167)	(862)	(167)	(862)	(167)
Payment for customer contract assets		-	-	-	-	-	-
Payment of deferred purchase consideration		-	-	-	-	-	-
Net cash flows from investing activities		(2,321)	(1,622)	(2,321)	(1,622)	(2,321)	(1,622)
Cash flows from financing activities							
Net proceeds from (repayment of) borrowings	3	1,039	730	1,039	290	1,039	290
Net loan from related parties	3	1,140	491	370	0	370	0
Repayment of lease liabilities		(1,276)	(1,362)	(1,276)	(1,362)	(1,276)	(1,362)
Repayment of equipment loans		-	-	-	-	-	-
Proceeds from equipment loans		-	-	-	-	-	-
Proceeds from other loans	3	1,292	528	(208)	528	(1,114)	528
Repayment on other loans		(634)	(772)	(634)	(772)	(634)	(772)
Proceeds from issue of convertible notes	3	-	4,200	-	-	-	-
Proceeds from issue of capital	3	-	100	-	-	-	-
Offer proceeds		-	-	-	-	-	-
Offer costs		-	-	-	-	-	-
Net cash flows from financing activities		1,561	3,915	(709)	(1,316)	(1,614)	(1,316)
Net increase/(decrease) in cash held	5	955	735	(2,498)	(5,674)	(3,403)	(5,674)

**Notes:**

1. Adjustment made to include the expected on-going public operating costs incurred by WNB in 1HY22 plus GST (10%).
2. Adjustments made for the estimated incremental public company expenses as if Hiro was an ASX-listed company in each prior reporting periods. Note, the payments to suppliers, employees and others adjustment includes GST on anticipated costs, except items associated with employee benefit expenses.
3. Heat and Aware raised funds through external debt and issue of shares/convertible notes. The adjustment reverses the cash flows related to these transactions to reflect the capital structure of the listed entity as if it were in place as at 1 July 2019.
4. The adjustment represents the reversal of finance costs paid to represent Hiro's capital structure as if it were listed from 1 July 2019 and eliminates intra-group transaction between Aware and Heat inclusive GST.
5. Statutory and Pro Forma net cash flows have been reconciled in Table 12.

## 7.6.2. Pro forma adjustments to the Statutory Financials

Table 11 sets out a reconciliation of the FY20 and FY21 and Pro forma cash flows of Hiro.

**Table 11: Pro forma adjustments to the Statutory cashflows FY20 and FY21**

\$'000	Note	\$25m equity raise		\$35m equity raise	
		FY20	FY21	FY20	FY21
Statutory net cash flow		269	(421)	269	(421)
Wellness operating costs	1	(141)	(141)	(141)	(141)
Alignment with Hiro reporting format	2	-	-	-	-
Incremental public costs	3	(2,573)	(2,584)	(2,573)	(2,584)
Proceeds from sale of Actizyme brand	4	(2,000)	-	(2,000)	-
Removal of restructured debt / convertible notes	5	(6,246)	(10,404)	(6,246)	(12,215)
Finance costs savings	6	446	409	446	409
<b>Pro forma net cash flow</b>		<b>(10,244)</b>	<b>(13,140)</b>	<b>(10,244)</b>	<b>(14,951)</b>

**Notes:**

1. Adjustment made to include the expected on-going public operating costs incurred by WNB in 1HY22 plus GST (10%).
2. Proforma adjustments to reclassify and align Aware and Heat's statutory accounts to Hiro's future reporting format and the AAS (none of which impact net cash flows).
3. Adjustments made for the estimated incremental public company expenses as if Hiro was an ASX-listed company in each prior reporting periods. Note, the payments to suppliers, employees and others adjustment includes GST on anticipated costs, except items associated with employee benefit expenses.
4. Removal of funds received on sale of the Actizyme brand that was previously sold in FY20, as Hiro intends to re-acquire the said brand as part of the Proposed Transactions.
5. Heat and Aware raised funds through external debt and issue of shares/convertible notes. The adjustment reverses the cash flows related to these transactions to reflect the capital structure of the listed entity as if it were in place as at 1 July 2019.
6. The adjustment represents the reversal of finance costs paid to represent Hiro's capital structure as if it were listed from 1 July 2019.

Table 12 sets out a reconciliation of the 1H FY20 and 1HY21F and Pro forma cash flows of Hiro.

**Table 12: Pro forma adjustments to the Statutory cashflows 1H FY20 and 1HY21F**

\$'000	Note	\$25m equity raise		\$35m equity raise	
		1HY21	1HY22	1HY21	1HY22
Statutory net cash flow		955	735	955	735
Wellness operating costs	1	(70)	(70)	(70)	(70)
Incremental public costs	2	(1,317)	(1,262)	(1,317)	(1,262)
Removal of restructured debt / convertible notes	3	(2,270)	(5,231)	(3,175)	(5,231)
Intra-group transactions and finance costs savings	4	205	154	205	154
<b>Pro forma net cash flow</b>		<b>(2,498)</b>	<b>(5,674)</b>	<b>(3,403)</b>	<b>(5,674)</b>

**Notes:**

1. Adjustment made to include the expected on-going public operating costs incurred by WNB in 1HY22 plus GST (10%).
2. Adjustments made for the estimated incremental public company expenses as if Hiro was an ASX-listed company in each prior reporting periods. Note, the payments to suppliers, employees and others adjustment includes GST on anticipated costs, except items associated with employee benefit expenses.
3. Heat and Aware raised funds through external debt and issue of shares/convertible notes. The adjustment reverses the cash flows related to these transactions to reflect the capital structure of the listed entity as if it were in place as at 1 July 2019.
4. The adjustment represents the reversal of finance costs paid to represent Hiro's capital structure as if it were listed from 1 July 2019 and eliminates intra-group transaction between Aware and Heat inclusive GST.

## 7.7. Dividend policy

There is no guarantee of the payment of any dividends to successful Applicants by the Company and the ability to pay any dividends will be dependent on generating sufficient revenue and profits to support the payment of dividend

## 8. INVESTIGATING ACCOUNTANT'S REPORT

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The Directors  
Hiro Brands Limited  
11 Dalmore Drive, Scoresby  
Melbourne VIC 3179  
Australia

15 July 2022

Dear Directors

### INDEPENDENT LIMITED ASSURANCE REPORT

#### INTRODUCTION

BDO Corporate Finance (East Coast) Pty Limited (BDO) has been engaged by Hiro Brands Limited (formally known as Wellness and Beauty Solutions Limited) (Hiro or Company) to prepare this Independent Limited Assurance Report (Report) for inclusion in a product disclosure statement proposed to be issued, in relation to the public offering of shares in Hiro, on about July 2022 (Prospectus) and re-admission on the Australian Securities Exchange (ASX) (Offer).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

As agreed in our engagement letter dated 18 January 2022, this Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

#### SCOPE

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (AAS) or Australian equivalents to International Financial Reporting Standard (AIFRS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

#### STATUTORY FINANCIAL INFORMATION

You have requested BDO review the following Statutory Financial Information of the Company included in Section 7 of the Prospectus:

- The statutory aggregated historical statements of profit or loss and other comprehensive income for FY20 and FY21, and the interim aggregated historical statements of profit and loss and other comprehensive income for 1HY21 and 1HY22 (Statutory Income Statements);
- The statutory aggregated historical statements of cash flows for FY20 and FY21, and the interim aggregated statements of cash flows for 1HY21 and 1HY22 (Statutory Cash Flow Statements); and



- The statutory historical aggregated statement of financial position as at 31 December 2021 (**Statutory Balance Sheet**).

The Statutory Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AIFRS and the Company's adopted accounting policies set out in Section 7 of the Prospectus. The Statutory Financial Information has been extracted from the:

- Audited financial statements of Heat and Aware for FY20 and FY21;
- Audited financial statements of Wellness for 1HY22; and
- Reviewed financial statements of Heat and Aware for 1HY22.

#### PRO FORMA FINANCIAL INFORMATION

You have requested BDO review the following Pro Forma Financial Information of the Company included in Section 7 of the Prospectus:

- The pro forma historical consolidated statements of profit or loss and other comprehensive income for FY20, FY21, 1HY21 and 1HY22 (**Pro Forma Income Statements**);
- The pro forma historical consolidated statements of cash flows for FY20, FY21, 1HY21 and 1HY22 (**Pro Forma Cash Flow Statements**);
- The pro forma historical consolidated statement of financial position as at 31 December 2021 (**Pro Forma Balance Sheet**); and
- The associated details of the pro forma adjustments

The Pro Forma Financial Information has been derived from the Statutory Financial Information of Hiro, after adjusting for the effects of pro forma adjustments described in Section 7 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AAS applied to the Statutory Financial Information and the Proposed Transactions to which the pro forma adjustments relate, as described in Section 7 of the Prospectus. Due to its nature, the Pro Forma Financial Information does not represent the Company's actual or prospective financial position.

#### DIRECTORS' RESPONSIBILITY

The directors of Hiro are responsible for the preparation of the Statutory Financial Information and Pro Forma Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Financial Information and included in the Pro Forma Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Financial Information that are free from material misstatement, whether due to fraud or error.

#### OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is



substantially less in scope than an audit conducted in accordance with Australian Auditing Standards (ASA) and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The limited assurance procedures we performed were based on our professional judgement and included consideration of audit work papers, accounting records and other documents, as well as those dealing with the derivation of the Pro Forma Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

## **CONCLUSION**

### **STATUTORY FINANCIAL INFORMATION**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Statutory Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 7 of the Prospectus.

### **PRO FORMA FINANCIAL INFORMATION**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 7 of the Prospectus.

## **SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Hiro not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **INDEPENDENCE**

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides the Group with certain other professional services for which normal professional fees are received.

## **GENERAL ADVICE WARNING**

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 7 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.



BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

#### **FINANCIAL SERVICES GUIDE**

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

As set out in the financial services guide, this Report provides general information only. It does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

If you require any additional information and/or clarification on any matter please contact us.

Yours faithfully

**BDO Corporate Finance (East Coast) Pty Limited**

A handwritten signature in black ink, appearing to read 'Stephen Seear', is written over a light blue horizontal line.

**Stephen Seear**  
Director



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Australia

## FINANCIAL SERVICES GUIDE

Dated: 5 October 2021

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, we charge a fee, calculated on hourly rates. You may request particulars of the fee if your request is made within a reasonable time after you receive this FSG and before we provide you with any financial services.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 24 hours (or one business day) or, if that timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority Limited (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority Limited  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247 420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

## 9. ACQUISITIONS, ASX LISTING, SIGNIFICANT CONTRACTS AND GENERAL MEETING

### 9.1. Introduction

The Company has entered into an agreements for the acquisition of 98% of the issued capital of Heat Group (see section 9.2) and approximately 98% of the issued capital of Aware (see section 9.3) pursuant to which the vendor of Heat and Aware (Heat Holdings) will be issued with consideration shares in the Company. In connection with these acquisitions, the Company will make various other share issues to seed investors, creditors and a corporate advisor (see sections 9.3.3 ,9.3.4, 9.3.6 and 10.1.2).

The acquisitions and connected transactions will require the approval of Shareholders and will involve a significant change in the scale of the Company's activities which also requires the approval of Shareholders under Chapter 11 of the ASX Listing Rules (**Acquisition Approvals**). The Acquisition Approvals will be sought by the Company at the General Meeting to be held on or around 19 August 2022.

Shares in the Company have been suspended from trading on ASX since 1 February 2021 and will not be reinstated until approval by ASX of the Company's reinstatement application (**Reinstatement Application**). The Company will make the Reinstatement Application to ASX no later than 7 days from the date of this Prospectus. The requirements for reinstatement are essentially the same as those for a company being listed on ASX following an initial public offer and are found in Chapter 1 of the ASX Listing Rules. The principal requirements are that the Company must have a free float of not less than 20% of its shares (Hiro is expected to have a free float of approximately 26.55% at Minimum Subscription or 32.92% at Maximum Subscription and a spread of at least 300 shareholders not affiliated with the directors or major shareholders and having a marketable parcel of at least \$2,000 at the public offer price. The Company must meet the profits test or the assets test. The directors are confident that Hiro will meet the assets test which requires the Company to have net tangible assets of at least \$4m after fund raising costs or market capitalisation of at least \$15 million.

The Public Offer is scheduled to close on 12 August 2022, and it is expected that the Company's shares will be reinstated and re-commence trading on the Official List of ASX on 31 August 2022. Given the General Meeting to obtain the Acquisition Approvals is being held after the close of the Public Offer, the Company will hold all Application Monies on trust until such time as the Company is reinstated to the Official List of the ASX. If the Acquisition Approvals are not obtained, the conditions of the Public Offer will not be satisfied, and the Public Offer will not proceed, in which case, Application Monies will be refunded to Applicants.

Given completion of the Public Offer and reinstatement to the Official List of the ASX are contingent on the Acquisition Approvals being obtained, references in this Prospectus to the business and assets of the Company assume that the acquisitions of Heat Group and Aware have been completed.

#### Related party transactions

A number of the transactions described in this section 9 are transactions with related parties of the Company, being Directors, substantial shareholders and persons associated with them. The Directors have assessed whether those related party transactions can properly be characterised as being of arms' length terms. To the extent that they cannot be characterised as being on arms' lengths terms they are the subject of resolutions to be considered be Shareholders at the General Meeting.

### 9.2. Heat Acquisition

On or around 13 July 2022 the Company as the purchaser and Heat Holdings as the vendor, entered into an agreement (**Heat Acquisition Agreement**) under which the Company will purchase 20,000 of the fully paid ordinary shares on issue in the capital of Heat Group (which represents approximately 98% of the shares in Heat Group) (**Heat Shares**) from Heat Holdings (**Heat Acquisition**).

Under the Heat Acquisition Agreement, the purchase price for the Heat Shares is \$12,610,000 to be satisfied by the issue of 25,044,687 Shares to Heat Holdings at \$0.5035 per Share.

The Heat Acquisition is otherwise on terms and conditions which are conventional for a private treaty sale and purchase of shares, including warranties and indemnities given by Heat Holdings as the vendor. The Heat Acquisition is on an "as is" basis and there is no adjustment to the purchase price for working capital, debt or cash.

Completion under the Heat Acquisition Agreement is expected to occur when the Company receives a letter from ASX stating that the Company will be reinstated to quotation on ASX, subject to the usual conditions for such a reinstatement letter (all of which the Company will be able to satisfy). This will be after the General Meeting and after the close of the Public Offer and shortly before trading in Shares recommences.

See section 9.6.1 for further information regarding the Heat Acquisition Agreement.

### 9.3. Aware Acquisition

#### 9.3.1. Heat Holdings acquisition of Aware

Heat Holdings holds substantially all of the issued shares in Aware. This was achieved by Heat Holdings as follows:

- (a) Heat Holdings was issued with 50,000,000 new shares in Aware pursuant to the terms of a Share Purchase Agreement dated on or around 18 October 2021 for a subscription price of \$100,000 (**Initial Aware SPA**); and
- (b) Heat Holdings acquired the shares in Aware held by majority shareholders (**Aware Vendors**) pursuant to a Share Purchase Agreement entered into on or about 15 April 2022 (**New Aware SPA**) (which superseded and replaced the Initial Aware SPA). The consideration payable under the New Aware SPA was satisfied by Heat Holdings procuring that the Company issue 243,709 convertible notes to the Aware Vendors. These convertible notes convert into Shares on the Company's successful reinstatement to the Official List of the ASX (**Aware Vendor Convertible Notes**). The Aware Vendor Convertible Notes have an aggregate face value of \$243,709 and convert into 214,480 Shares.

See section 9.6.2 for further information regarding the Initial Aware SPA, the New Aware SPA and the Aware Vendor Convertible Notes.

#### 9.3.2. The Company's acquisition of Aware

It is now proposed that the Company will acquire the shares in Aware held by Heat Holdings by exercising two options (collectively, the **Aware Options**):

- (a) Option 1 – On or around 18 October 2021, Heat Holdings granted the Company an option to acquire the 50,000,000 shares acquired by Heat Holdings under the Initial Aware SPA (**Aware Option 1**) (**Aware Option Agreement 1**). The exercise price for the Aware Option 1 is \$100,000 plus 5% which is payable by the Company issuing 208,540 Shares to Heat Holdings at a price of \$0.5035 per Share; and
- (b) Option 2 – On or around 14 April 2022, Heat Holdings granted the Company an option to acquire all of the shares acquired by it under the New Aware SPA (**Aware Option 2**) (**Aware Option Agreement 2**). The exercise price for the Aware Option 2 is the amount equal to the consideration paid by Heat Holdings under the New Aware SPA plus 5%. That amount will be satisfied as follows:
  - (i) the Company will set-off the amount owed by Heat Holdings to the Company as a result of the Company issuing the Aware Vendor Convertible Notes to the Aware Vendors as consideration under the New Aware SPA (see section 9.3.1 above); and
  - (ii) the 5% will be paid by the Company in cash to Heat Holdings.

The Company intends to exercise the Aware Options to acquire Aware (**Aware Acquisition**). Following exercise, the Company will hold approximately 98.32% of Aware. The Company must obtain shareholder approval before exercising the Aware Options and issuing the consideration Shares in itself to Heat Holdings.

The Aware Acquisition is on an "as is" basis and there is no adjustment to the purchase price for working capital, debt or cash.

Completion under the Aware Acquisition is expected to occur when the Company receives a letter from ASX stating that the Company will be reinstated to quotation on ASX, subject to the usual conditions for such a reinstatement letter (all of which the Company will be able to satisfy). This will be after the General Meeting and after the close of the Public Offer and shortly before trading in Shares recommences.

See sections 9.6.3 and 9.6.4 for further information regarding the Aware Option 1 Agreement and Aware Option 2 Agreement.

### 9.3.3. Related Party Creditors of Aware

On 15 April 2022, to facilitate the acquisition of Aware by Heat Holdings, the Company, Heat Holdings and Aware entered into deeds of forgiveness and conversion (**Forgiveness and Conversion Deeds**) in respect of secured debts of \$13,711,052 owed to Aware's founders and their related parties (**Aware Related Party Creditors**). Pursuant to these documents the Aware Related Party Creditors forgave a portion of their debts (\$8,711,052), with the balance converted into convertible notes (\$5,000,000) (**RPC Convertible Notes**). The RPC Convertible Notes convert into Shares on the Company's successful reinstatement to the Official List of ASX. The RPC Convertible Notes have an aggregate face value of \$5,000,000 and convert into 4,075,118 Shares.

See section 9.6.5 for further information regarding the Forgiveness and Conversion Deeds and RPC Convertible Notes.

### 9.3.4. Elevon

Pursuant to a Deed of Acknowledgment dated 18 October 2021 as amended by a Deed of Amendment dated on or around 13 July 2022 (**Elevon Deed**) Elevon Pty Ltd (**Elevon**), Aware's corporate advisor, was issued with 1,486,518 convertible notes (**Elevon Convertible Notes**) for services rendered to Aware and as a success fee for introducing Aware to the Company. The Elevon Convertible Notes convert into Shares on the Company's successful reinstatement to the Official List of ASX. The Elevon Convertible Notes have an aggregate face value of \$1,486,518 and convert into 953,846 Shares.

Elevon is a boutique corporate advisory firm that partners with companies to define success, create elevated growth plans and deliver beyond expectation. Early in 2021, Aware engaged Elevon to seek urgent funding and Elevon provided associated corporate advisory services to Aware. Pursuant to the terms of engagement, Aware was obliged to pay Elevon a retainer and a success fee. The retainer has been paid by Aware, and by agreement among Aware, Elevon and the Company, the success fee will be paid by the Company making a cash payment to Elevon of \$1,500,000 and issuing the Elevon Convertible Notes.

Pursuant to a Deed of Acknowledgment dated 18 October 2021 (**Elevon Deed of Acknowledgement**) as amended by a Deed of Amendment dated on or around 13 July 2022 (**Elevon Deed of Amendment**) Elevon, the Company's corporate advisor, was:

- issued with 1,486,518 convertible notes (**Elevon Convertible Notes**) for services rendered to the Company and as a success fee for introducing Aware to the Company. The Elevon Convertible Notes convert into shares in the Company on the Company's successful reinstatement to the Official List of ASX. The Elevon Convertible Notes have an aggregate face value of \$1,486,518 and convert into 953,846 shares in the Company;
- granted an option by Heat Holdings pursuant to which Elevon can elect to acquire 68,000,000 fully paid ordinary shares that Heat Holdings holds in the Company (or the 1,046,154 shares that these shares are proposed to be consolidated into on a 1:65 basis) (**Elevon Option**); and
- it was agreed that the Company will pay or facilitate the payment to Elevon of \$1,500,000 (exclusive of GST) in cash which is due and payable by the Company on completion of its proposed public offer and reinstatement to the Official List of the ASX (**Elevon Cash Payment**) (collectively, the **New Elevon Arrangements**).

See section 9.6.6 for further information regarding the Elevon Deed and Elevon Convertible Notes and the other New Elevon Arrangements.

### 9.3.5. Actizyme

Heat Holdings and ERAWA are parties to an IP and Asset Sale Agreement dated 18 October 2021 (**Actizyme Agreement**), pursuant to which Heat Holdings has agreed to purchase and ERAWA has agreed to sell the brands and intellectual property rights and assets related to the "Actizyme" brand. In connection with the acquisition of Aware, Heat Holdings has now entered into an agreement with Aware Environmental Products Pty Ltd (**AEP**) (which will become a controlled subsidiary of the Company upon completion of the Aware Acquisition) pursuant to which Heat Holdings will assign and novate its rights under the Actizyme Agreement to AEP (**Actizyme Rights**).

See section 9.6.7 for further information regarding the Actizyme Agreement and the assignment of the Actizyme Rights.

### 9.3.6. Westpac

Aware has various banking facilities with Westpac. Aware currently owes Westpac approximately \$13,000,000. Westpac has first ranking security over Aware and its assets and requires the amounts owing to be repaid. Westpac has agreed to extend its current facilities to Aware to 30 August 2022 and to forbear from exercising enforcement rights in connection with present breaches under the facilities. The Company intends to repay Westpac partly out of the proceeds of the Offer and partly out of new debt facilities. See section 10.3.

### 9.4. Seed Investment

A number of non-related and related parties of the Company hold convertible notes (**Seed Investors**) which were issued by the Company to fund the transactions contemplated by this Prospectus (namely the Heat Acquisition and Aware acquisition) as part of various seed round capital raises (**Seed Convertible Notes**).

The Seed Convertible Notes convert into Shares on the Company's successful reinstatement to the Official List of ASX. The Seed Convertible Notes have an aggregate face value of \$10,640,000 and convert into 10,040,504 Shares, as follows:

- (a) \$2,390,000 worth of Seed Investor Convertible Notes which convert into 4,746,774 Shares at \$0.5035 per Share;
- (b) \$8,250,000 worth of Seed Investor Convertible Notes which convert into 5,293,730 Shares at \$1.56 per Share.

See section 9.6.8 for further information regarding the Seed Convertible Notes.

### 9.5. General Meeting

A General Meeting of the members of the Company (**General Meeting**) will be held on 19 August 2022. The resolutions considered at the General Meeting (**Resolutions**) are:

- (c) A resolution for the consolidation of the Shares and other securities on issue. If passed this resolution will consolidate Shares and other securities on the basis of 65 to 1 (**Consolidation**). In addition to shareholder approval, the Consolidation will be conditional on all other conditions to the Heat and Aware acquisitions being satisfied, and will be implemented on or around the time of the Company's re-listing to the official list of the ASX;
- (d) A resolution to approve a change in scale of activities of the Company for the purposes of Chapter 11 of the ASX Listing Rules.
- (e) Resolutions to approve the acquisition of the Heat Group and the issue of consideration Shares to Heat Holdings for the purposes of ASX Listing Rules 10.1 and 10.11 and sections 208 and 611 (item 7) of the Corporations Act;
- (f) Resolutions to approve the acquisition of Aware, including:
  - (i) resolutions to approve the acquisition of Aware from a related party (Heat Holdings) for the purposes of ASX Listing Rule 10.1 and sections 208 and 611 (item 7) of the Corporations Act;
  - (ii) a resolution to approve the issue of Shares to the Aware Vendors on conversion of their Aware Vendor Convertible Notes for the purposes of ASX Listing Rule 7.1;
  - (iii) a resolution to approve the issue of Shares to Aware Related Party Creditors upon the conversion of RPC Convertible Notes for the purposes of ASX Listing Rule 7.1; and
  - (iv) a resolution to approve the issue of Shares to Elevon on conversion of Elevon Convertible Notes for the purposes of ASX Listing Rule 7.1;

- (g) A resolution to approve the issue of Shares to Seed Investors upon the conversion of Seed Convertible Notes for the purposes of ASX Listing Rule 7.1 and ASX Listing Rule 10.11 (and in relation to Cattermole and Cattermole Associates and the BIA Fund for the purposes of sections 208 and 611 (item 7) of the Corporations Act) ;
- (h) A resolution to approve the issue of DOCA Shares to DOCA Creditors upon the conversion of DOCA Convertible Notes for the purposes of ASX Listing Rule 7.1;
- (i) A resolution to approve the acquisition by AEP (a child entity of the Company) of the rights and obligations of Heat Holdings under the Actizyme Agreement in connection with the Aware Acquisition for the purposes of ASX Listing Rule 10.1 and section 208 of the Corporations Act
- (j) A resolution to approve the issue of securities under the Public Offer for the purposes of ASX Listing Rule 7.1;
- (k) A resolution for the Company to adopt the Executive and Director Share Option Plan;
- (l) Resolutions to approve the issue of Director Shares pursuant to ASX Listing 10.11 to Mr David Botta, Mr Steven Chaur and Mr Chris Zondanos;
- (m) A resolution for the Company to change its name to Hiro Brands Limited; and
- (n) A resolution for the Company to amend its constitution with respect to restricted securities and escrow provisions.

## **9.6. Significant Contracts**

The remainder of this section contains highlights of, or reference to, certain contracts which have been identified as significant and relevant to potential investors in the Company. To fully understand all rights and obligations of a significant contract, it would be necessary to review it in full and the summaries should be read in that light. Furthermore, the list of significant and relevant contracts set out below does not purport to be complete or exhaustive.

### **9.6.1. Heat Acquisition Agreement**

Heat Holdings is the legal and beneficial owner of 20,000 shares (being 98% of the shares) in Heat Group. It has agreed to sell these shares to the company under the Heat Acquisition Agreement.

IHAVEADREAM Pty Ltd ACN 114 096 892 (a company controlled by Matthew Bailey and Joanne Bailey) holds 408 shares in Heat Group (being 2% of the shares). These shares were awarded to Matt Bailey in return for him introducing the Company to the Heat Group.

The purchase price under the Heat Acquisition Agreement for the shares in the Heat Group is \$12,610,000, payable by the issue of 25,044,687 ordinary shares in the capital of the Company at \$0.50350 per share.

Completion will be subject to a number of conditions precedent including the release of any encumbrances over the sale shares, consents to the change of control of Heat Group being obtained from certain parties to material contracts, and all relevant ASX and shareholder approvals being obtained (including re-admission approval). All of these conditions other than shareholder approval have now been obtained or expected to be obtained. Completion of the transaction is scheduled for on or about 19 August 2022.

The Heat Acquisition contains terms and conditions which are conventional for a private treaty sale and purchase of shares, including warranties and indemnities given by Heat Holdings as the vendor. The Heat Acquisition is on an "as is" basis and there is no adjustment to the purchase price for working capital, debt or cash.

The parties will ensure that the transaction satisfies the relevant terms of the CGT rollover provisions.

### **9.6.2. New Aware SPA and Aware Vendor Convertible Notes**

Under the New Aware SPA, Heat Holdings will acquire the majority of the shares in Aware from its majority shareholders and other minority shareholders who have acceded to the New Aware SPA in accordance with the terms of an accession deed.

The New Aware SPA replaces the Initial Aware SPA which is terminated by operation of the New Aware SPA, with some provisions remaining on foot (such as the issue of shares to Heat Holdings).

The consideration for the shares is convertible notes in the Company.. The aggregate face value of the notes to be issued is \$243,709 and they convert into 214,480 Shares in the Company.

The New Aware SPA contains minimal warranties and there are no working capital or other adjustments.

#### **9.6.3. Aware Option 1 Agreement**

Pursuant to an option agreement dated 14 April 2022 between Heat Holdings and the Company, the parties confirm that the Company was granted options to acquire the 50,000,000 shares held by Heat Holdings in Aware. The exercise price for the option is \$100k plus 5% which will be payable by the Company issuing 208,540 Shares to Heat Holdings at a price of \$0.5035 per share.

The option will be exercised after the Company has obtained shareholder approval to do so.

#### **9.6.4. Aware Option 2 Agreement**

Pursuant to an option agreement dated 14 April 2022 between Heat Holdings and the Company, Heat Holdings granted the Company an option to acquire all of the shares acquired by it under the New Aware SPA. The exercise price for the option will be equal to the consideration paid by Heat Holdings under the New Aware SPA plus 5%. That amount will be satisfied as follows: (1) the Company will set-off the amount owed by Heat Holdings to the Company as a result of the Company issuing the Aware Vendor Convertible Notes to the Aware Vendors as consideration under the New Aware SPA; and (2) the 5% will be paid by the Company in cash to Heat Holdings.

The option will be exercised after the Company has obtained shareholder approval to do so.

#### **9.6.5. Forgiveness and Conversion Deeds and RPC Convertible Notes**

On 15 April 2022, to facilitate the acquisition of Aware by Heat Holdings, the Company, Heat Holdings and Aware entered into deeds of forgiveness and conversion (**Forgiveness and Conversion Deeds**) in respect of secured debts of \$13,711,052 owed to Aware's founders and their related parties (**Aware Related Party Creditors**). Pursuant to these documents the Aware Related Party Creditors forgave a portion of their debts (\$8,711,052), with the balance converted into convertible notes (\$5,000,000) (**RPC Convertible Notes**). The RPC Convertible Notes convert into Shares on the Company's successful reinstatement to the Official List of ASX. The RPC Convertible Notes have an aggregate face value of \$5,000,000 and convert into 4,075,118 Shares.

#### **9.6.6. Eleven Deed and Elevon Convertible Notes**

Pursuant to a Deed of Acknowledgment dated 18 October 2021 (**Elevon Deed of Acknowledgement**) as amended by a Deed of Amendment dated on or around 13 July 2022 (**Elevon Deed of Amendment**) Elevon, the Company's corporate advisor, was:

- issued with 1,486,518 convertible notes (**Elevon Convertible Notes**) for services rendered to the Company and as a success fee for introducing Aware to the Company. The Elevon Convertible Notes convert into shares in the Company on the Company's successful reinstatement to the Official List of ASX. The Elevon Convertible Notes have an aggregate face value of \$1,486,518 and convert into 953,846 shares in the Company;
- granted an option by Heat Holdings pursuant to which Elevon can elect to acquire 68,000,000 fully paid ordinary shares that Heat Holdings holds in the Company (or the 1,046,154 shares that these shares are proposed to be consolidated into on a 1:65 basis) (**Elevon Option**); and
- it was agreed that the Company will pay or facilitate the payment to Elevon of \$1,500,000 (exclusive of GST) in cash which is due and payable by the Company on completion of its proposed public offer and reinstatement to the Official List of the ASX (**Elevon Cash Payment**) (collectively, the **New Elevon Arrangements**).

#### **9.6.7. Actizyme and ERAWA arrangements**

The Actizyme brand includes a series of consumer products for the treatment of blocked drains.

In or about March 2020, ERAWA and AEP (a wholly owned subsidiary of Aware) entered into a sale and assignment agreement (**Initial Actizyme Sale Agreement**) under which ERAWA purchased the assets and intellectual property rights relating to the Actizyme brands from AEP for \$2,000,000.

At the same time, a Licence Agreement, Manufacturing Agreement and Consultancy Agreement were put in place to ensure that, whilst ERAWA owned the Actizyme brand, AEP could continue to manufacture, develop and sell the Actizyme products as normal. A fee of \$650,000 (plus GST) per annum is payable monthly in arrears (i.e., \$59,583.32 month) to ERAWA under the Consultancy Agreement.

On or about 18 October 2021 (and at the time Heat Holdings acquired control of Aware) a subsequent sale and assignment agreement was entered into between ERAWA and Heat Holdings (**Subsequent Actizyme Sale Agreement**). Under the Subsequent Actizyme Sale Agreement, ERAWA agreed to sell, and Heat Holdings agreed to purchase, intellectual property rights and assets relating to Actizyme for \$2,500,000. Completion of the sale is to occur “5 business days after the date of the IPO” (defined as the public offer of shares by the Company and listing on ASX).

Pursuant to a Deed of Assignment, Heat Holding's rights under the Subsequent Actizyme Sale Agreement have been assigned to AEP.. At the General Meeting, the Company is seeking shareholder approval for its child entity (AEP) to repurchase the Actizyme brand pursuant to the Subsequent Actizyme Sale Agreement.

Separately, most recently, ERAWA and the Company have agreed as follows with respect to the ERAWA consultancy fees (**New ERAWA Arrangements**):

- the Company will pay ERAWA \$77,917.62 (including GST) by on or around 10 June 2022 (which has now been paid); and
- the Company will pay ERAWA \$59,583.32 (including GST) monthly, payable in the first week of each new month commencing on 1 July 2022 and ending on the earlier of the date of completion or termination of the Subsequent Actizyme Sale Agreement or if completion or termination of the Subsequent Actizyme Sale Agreement does not take place prior to 31 September 2022, the ongoing consultancy fees of \$59,583.32 will revert to being accrued until 12 months from the date of the New ERAWA Arrangements, at which point discussions will take place between both parties to agree an appropriate exit or purchase arrangement based on good faith discussions.

The Company and ERAWA have agreed that the New ERAWA Arrangements supersede and take precedence over all prior arrangements, agreements and the terms of any of the earlier documents entered into in respect of the monthly consultancy fees payable by the Company to ERAWA. The New ERAWA Arrangements are documented in a deed of agreement and acknowledgment between the Company and ERAWA dated 13 July 2022.

#### **9.6.8. Seed Convertible Notes**

A number of non-related and related parties of the Company hold convertible notes (**Seed Investors**) which were issued by the Company to fund the transactions contemplated by this Prospectus (namely the Heat Acquisition and Aware acquisition) as part of various seed round capital raises (**Seed Convertible Notes**).

The Seed Convertible Notes convert into Shares on the Company's successful reinstatement to the Official List of ASX. The Seed Convertible Notes have an aggregate face value of \$10,640,000 and convert into 10,040,504 Shares, as follows:

- (o) \$2,390,000 worth of Seed Investor Convertible Notes which convert into 4,746,774 Shares at \$0.5035 per Share;
- (p) \$8,250,000 worth of Seed Investor Convertible Notes which convert into 5,293,730 Shares at \$1.56 per Share.

#### **9.6.9. Property Lease (Hammond Road)**

Aware leases the premises located at 282-300 Hammond Road, Dandenong South, Victoria 3179 (**Hammond Road**) pursuant to a lease dated on or about 17 December 2018 originally between Greencare as tenant and ERAWA Pty Ltd as landlord, and as transferred to The Trust Company (Australia) Limited ACN 000 000 993 (as custodian and agent for Bieson Pty Limited as trustee for CPIF

Hammond Dandenong Trust) as the existing landlord pursuant to a Deed of Covenant dated on or about 1 May 2019 (**Hammond Road Lease**). The key terms are as follows:

<b>Hammond Road</b>	
<b>Premises</b>	282-300 Hammond Road, Dandenong South, VIC 3175
<b>Term and Options</b>	The term of the lease is 20 years and 2 days commencing on 29 April 2019 with one further term of 10 years, commencing on 1 May 2039.  The rent review and adjustments for the further term will be determined by market value.
<b>Rent and Rent Review</b>	\$1,500,000 per annum plus GST.  Fixed increase of 3% on each anniversary of the Commencement Date, beginning 29 April 2020.
<b>Permitted Use</b>	General office and administrative activities and storage and manufacture of personal care and homecare products including natural, certified organic and eco-responsible skincare and cosmetics and ingredient, and with the consent of the Landlord, any other use permitted by Law from time to time.
<b>Bank Guarantee</b>	\$2,500,000, to be increased to \$2,970,177 by no later than 31 August 2022 (refer to terms of the Deed of Consent to the Change of Control entered into between the Tenant, the Existing Landlord and others)

#### 9.6.10. Property Lease (Healey Road)

Aware leases the premises located at 4 Healey Road Dandenong South, 3175 (**Healey Road**) pursuant to a lease dated on or about 4 October 2018 originally between Greencare as tenant and ERAWA Pty Ltd as landlord, as transferred to Osprey Property Group as the existing landlord (**Healy Road Lease**). The key terms are as follows:

<b>Healey Road</b>	
<b>Premises</b>	4 Healey Road, Dandenong South 3175 VIC
<b>Term and Options</b>	The term of the lease is 5 years commencing on 11 December 2018 with two further terms of 5 years each.
<b>Rent and Rent Review</b>	\$709,410.00 per annum plus GST. Fixed increase of 3% on 11 December 2019, 11 December 2020, 11 December 2021 and 1 December 2022.
<b>Permitted Use</b>	Manufacture and storage of household products including laundry liquids and powders, air fresheners, skin care and cosmetics. The tenant is not to use the premises for the sale of retail goods or services as per the meaning of the Retail Leases Act 2003.
<b>Bank Guarantee</b>	\$220,000.00 bank guarantee

#### 9.6.11. Property Lease (Dalmore Drive)

Heat Group leases the premises located at 11 Dalmore Drive, Scoresby, Victoria 3179 (**Scoresby Site**) pursuant to the terms of a Sub-Lease (**Sub-Lease**) between Dalmore Leasing Pty Ltd, Dalmore Realty Pty Ltd, Dalmore Park Pty Ltd and Caribbean Park Pty Ltd (together the **Landlord**), Paragon Care Limited (**Tenant**) and the Company (**Sub-Tenant**). The key terms are as follows:

11 Dalmore Drive Scoresby	
<b>Premises</b>	11 Dalmore Drive Scoresby VIC 3179, being part of the land described in CT 10181 F 448  Approx. 6420m2
<b>Term and Options</b>	<b>Sublease</b>  4 years and 3 months.  Commencement Date: 1 July 2019  Expiry Date: 30 June 2023  <b>Head Lease</b>  The term of the Head Lease is 8 years commencing on 1 October 2015 with two further terms of 5 years each.
<b>Rent and Rent Review</b>	\$569,437.50 per annum plus GST.  Fixed increase of 3.5% on 1 October 2019, 1 October 2020, 1 October 2021 and 1 October 2022.
<b>Permitted Use</b>	Offices, manufacturing of goods, warehousing and distribution.
<b>Bank Guarantee</b>	\$141,240 bank guarantee to the Tenant
<b>Termination</b>	The Sub-lease will terminate immediately upon termination of the Head Lease.

#### 9.6.12. Lead Manager Mandate

The Company has engaged MST Financial Services Pty. Ltd. (**Lead Manager**) to manage the Offer and assist facilitate the capital raise under the Offer. The Lead Manager will be paid the Management Fee and Discretionary Performance Fee as described in section 4.14 of this Prospectus.

## 10. ADDITIONAL INFORMATION

### 10.1. The Company

#### 10.1.1. Incorporation and ASX

The Company was incorporated on 22 April 2014 and was admitted to the official list of ASX in 2016. It was then called Total Face Group Limited. It subsequently changed its name to Wellness and Beauty Solutions Limited in 2018.

On 1 February 2021, the Company's securities were suspended from quotation. The Company entered voluntary administration on 20 March 2021.

#### 10.1.2. Deed of company arrangement

As noted above, the Company's securities were suspended from official quotation on 1 February 2021 as a consequence of not meeting its quarterly reporting obligations. The Company subsequently entered voluntary administration on 30 March 2021 and Laurence Fitzgerald of William Buck was appointed as the administrator of the Company (**Administrator**).

At a meeting of creditors held on 19 July 2021, creditors of the Company approved a proposal by BRC Collective Pty Ltd (**BRC**) for the Company to enter into a deed of company arrangement (**DOCA**) and approved the appointment of Laurence Fitzgerald of William Buck as deed administrator of the Company (**Deed Administrator**).

On 9 August 2021, the Company, the Deed Administrator and BRC entered into the DOCA.

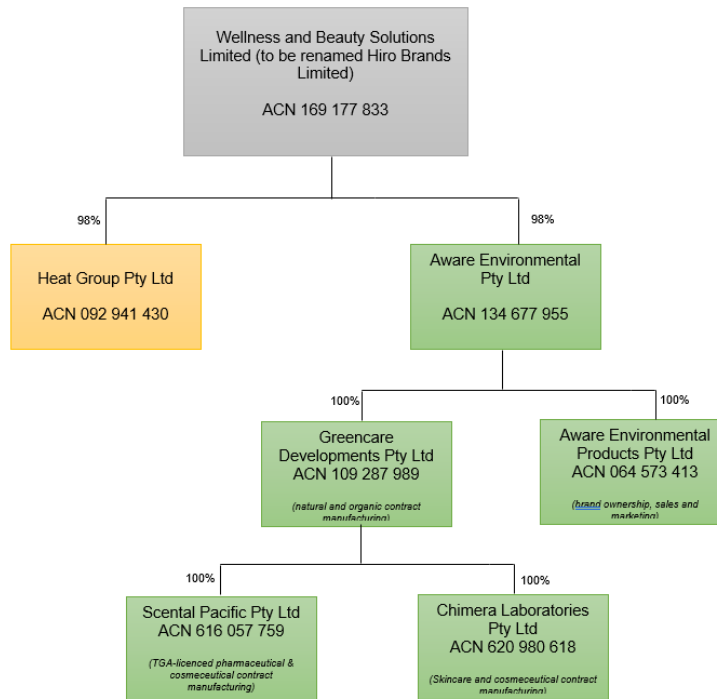
Pursuant to the terms of DOCA, among other things, Heat Holdings Pty Ltd (**Heat Holdings**), as BRC's nominee, was issued with 68,000,000 shares in the capital of the Company (**DOCA Shares**) at an issue price of \$0.0063 per DOCA Share in consideration of BRC providing a contribution of \$472,763.23 to the deed fund established by the DOCA (**Contribution**) to recapitalise the Company and facilitate the exit of the Company from voluntary administration (**DOCA Placement**). Heat Holdings acquired a total of 50.2% of the ordinary shares in the capital of the Company, and existing shareholders of the Company were diluted to 49.8%.

Completion of the DOCA (and the requirement for BRC to pay the Contribution) was conditional on the Company obtaining shareholder approval of the issue of the DOCA Shares to Heat Holdings. An extraordinary general meeting to consider this resolution was held on 25 October 2021 and the approving resolution was carried. The conditions precedent to the DOCA were subsequently satisfied (or waived) and completion of the DOCA occurred on 31 October 2021. The Administrator resigned on 21 December 2021 and registered the effectuation of the DOCA with ASIC and officially returned control of the Company to its directors.

Pursuant to the terms of the DOCA, creditors (secured and unsecured) (**DOCA Creditors**) did not participate in a distribution of the deed fund but were issued unsecured convertible notes from respective pools of convertible notes (one pool for secured creditors of \$100,000 and one pool for unsecured creditors of \$100,000) (**DOCA Convertible Notes**). DOCA Creditors participated in the respective pools on a pro rata basis based on admitted claims owed to them by the Company. The DOCA Convertibles Notes convert to equity in the Company upon the successful completion of the Proposed Transactions and Public Offer. If the DOCA Convertible Notes do not convert, and instead mature, their principal value will become due and payable by the Company.

#### 10.1.3. Group structure

Upon completion of the Heat Acquisition and Aware Acquisition, the Company will become the parent company of a number of corporate entities. The diagram below illustrates the corporate structure of the group after completion of the proposed transactions:



## 10.2. Rights attaching to Shares

The rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours or at [www.hirobrands.com](http://www.hirobrands.com). Rights are affected by the Corporations Act, the ASX Listing Rules and statute and general law. The following is a summary of the rights attaching to Shares as set out in the Constitution.

### 10.2.1. Voting

Subject to any rights and restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders:

- each Shareholder entitled to vote in person or by proxy, attorney or representative; and
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share but in respect of partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### 10.2.2. General meetings

Each shareholder is entitled to receive notice of and to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

A shareholder may requisition meetings in accordance with the Corporations Act and the Constitution.

### 10.2.3. Dividends

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend.

Subject to the rights of the holders of any Shares created or raised under any special arrangement as to dividends, the dividend was declared shall be payable on all Shares according to the proportion that

the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2.5 of Chapter 2H of the Corporations Act. The Directors may from time to time pay to the shareholders any interim dividends that they may determine.

No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive.

No dividend shall carry interest as against the Company.

In addition, the Company must comply with section 254T of the Corporations Act when declaring a dividend.

#### **10.2.4. Transfer of Shares**

Subject to the Constitution, Shareholders may transfer any Share held by them by an:

- (a) ASX Settlement Operation Rules Transfer or any other method of transferring or dealing in Shares introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or Listing Rules and in any such case recognised under the Corporations Act; or
- (b) instrument in writing in any usual or common form or in any other form that the Directors approve.

#### **10.2.5. Issue of Shares**

Unissued Shares shall be under the control of the Directors and, subject to the Corporations Act, the Listing Rules, and the Constitution, the Directors may at any time issue such number of Shares either as ordinary Shares or Shares of a named class or classes (being either an existing class or a new class) at the issued price that the Directors determine and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Directors shall, in their absolute discretion, determine.

#### **10.2.6. Issue of Options**

Subject to the Listing Rules, the Directors may at any time and from time to time issue options in the Company on such terms and conditions as the Directors shall, in their absolute discretion determine.

#### **10.2.7. Issue of Preference Shares**

Subject to the Listing Rules and the Corporations Act, the Company may at any time and from time to time issue preference Shares, that are liable to be redeemed whether at the option of the Company or otherwise.

#### **10.2.8. Entitlement to Share certificate**

A person whose name is entered as a Shareholder in the Register of Shareholders is entitled without payment to receive a Share certificate or notice (as the case may be) in respect of the Share under seal in accordance with the Corporations Act.

If the securities of the Company are CHESS Approved Securities and held in uncertificated mode; then the Company shall allot such CHESS Approved Securities and enter them into the Shareholder's uncertificated holding in accordance with the Listing Rules and the ASX Settlement Operating Rules. In these circumstances, the Shareholder will not receive a Share certificate.

Where the Directors have determined not to issue share certificates or to cancel existing Share certificates, a Shareholder shall have the right to receive such statements of holdings of the Shareholder as are required to be distributed to a Shareholder under the Corporations Act or the Listing Rules.

Where a Share certificate is lost, worn out or destroyed, the Company shall issue a duplicate certificate in accordance with the requirements of section 1070D of the Corporations Act and the Listing Rules.

#### **10.2.9. Variation of rights**

If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may be varied, whether or not the Company is being wound up, with the consent in writing of the holders of

three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of the class. Any variation of rights shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act. The provisions of the Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy not less than one-third of the issued Shares of the class.

#### **10.2.10. Winding up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different class of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

#### **10.2.11. ASX Listing Rules**

If the Company is listed on the official list of ASX, notwithstanding anything in the Constitution, if the ASX Listing Rules prohibit an act being done, then that act must not be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done, and if a provision is required in the Constitution by the ASX Listing Rules, the Constitution will be treated as containing that provision. If any provision of the Constitution becomes inconsistent with the ASX Listing Rules, the Constitution will be treated as not containing that provision to the extent of the inconsistency.

### **10.3. Debt funding**

As set out in section 9.3.6 above, Aware has various banking facilities with Westpac and currently owes Westpac approximately \$13,000,000. The Company intends to repay Westpac partly out of the proceeds of the Offer and partly out of new debt facilities.

#### **10.3.1. Earlypay**

Hiro has received an offer of new debt facilities from Earlypay Limited. The new facilities comprise a debtor finance facility with a limit of \$10,000,000 and a trade finance facility with a limit of \$5,000,000. The Company intends to accept the offer and proposes to draw down approximately \$6,000,000 under the debtor finance facility to partially repay the Westpac debt. The balance of the Westpac debt (approximately \$7,000,000) will be repaid out of the proceeds of the Offer. See section 4.9 (Use of Funds).

Key terms of the Earlypay facilities are:

<b>Facility limit:</b>	Debtor finance facility \$10m Trade finance facility \$5m
<b>Availability:</b>	Immediate
<b>Interest:</b>	Debtor finance facility – discount 7.25% Trade finance facility - interest 4.58%
<b>Security:</b>	General Security Deed

The Directors are confident that the new Earlypay facilities will be available to pay out Westpac by the agreed date of 30 August 2022. If they are not, the full amount owing to Westpac will be paid out of the proceeds of the Offer. This would result in approximately \$6,000,000 not being available for the other uses of funds specified in section 4.9 and a consequent reduction in the planned expenditure on marketing and a reduction in working capital. While this would be undesirable, the Directors are confident that the Company and its business would remain viable.

### 10.3.2. Heat Group facilities

#### Moula

Heat Group has a small loan facility with Moula Funding Pty Ltd ACN 607 734 154 (**Moula Facility**). The key terms of the Moula Facility may be summarised as follows:

<b>Loan amount:</b>	\$437,000.00
<b>Fortnightly repayment amount:</b>	\$7,686.48
<b>Interest:</b>	0.85% per fortnight.
<b>Final repayment date:</b>	21 September 2022
<b>Purpose:</b>	Paying for staff costs

A balance of approximately \$47,000 is currently outstanding under this facility.

#### Operating / Equipment Finance Leases

Heat Group is a party to various operating / equipment finance leases including:

- Motor vehicle finance lease from Interleasing (Australia) Limited (approx. 26 vehicles);
- Equipment finance lease from FUJIFILM Business Innovation Australia Pty Ltd; and
- Equipment finance leases from De Lage Landen Pty Limited (DLL).

It is proposed that each of these operating / equipment finance leases will continue post re-listing.

### 10.3.3. Aware facilities

#### TPC Finance

In addition to the Westpac facility, Aware is a party to various operating / equipment finance leases including:

- A Master Facility Agreement with TPC Finance Pty Ltd (**TPC**) to finance the purchase of IT equipment. The key terms of that facility may be summarised as follows:

<b>Finance amount:</b>	\$301,752.45
<b>Interest charges:</b>	\$60,969.75
<b>Term:</b>	60 monthly instalments of \$6,045.37
<b>Final repayment date:</b>	21 August 2025

- A Master Facility Agreement with TPC to finance the purchase of IT equipment. The key terms of that facility may be summarised as follows:

<b>Finance amount:</b>	\$301,895.28
<b>Interest charges:</b>	\$60,999.12
<b>Term:</b>	60 monthly instalments of \$6,048.24
<b>Final repayment date:</b>	14 December 2025

- A Master Instalment Payment Agreement with De Lage Landen Pty Ltd (**DLL**). The key terms of that facility may be summarised as follows:

<b>Finance amount:</b>	\$452,999
<b>Interest rate:</b>	9.6152%
<b>Term:</b>	36 monthly instalment payments of \$14,535.31
<b>Final repayment date:</b>	29 April 2023

It is proposed that each of these operating / equipment finance leases will continue post re-listing.

#### 10.3.4. Shareholder loans

Hiro has recently entered into additional \$1.6m short term funding arrangements with Alcott Pty Ltd (**Alcott**) and BRC Collective Pty Ltd (**BRC**) who are associates of shareholders. The 2 facilities are on the same terms. The key terms of the facilities are as follows:

<b>Facility limit:</b>	\$800,000
<b>Availability:</b>	Immediate until 6 months after Hiro is reinstated to listing on ASX
<b>Interest:</b>	4% per annum
<b>Security:</b>	General Security Deed (assets and undertakings of Hiro Limited)

Alcott is a company controlled by Margaret Lyndsey Cattermole and BRC is a shareholder in Heat Holdings. The directors are satisfied that both facilities are provided on arm's length terms.

#### 10.4. Continuous Disclosure

The Company is a disclosing entity for the purposes of Part 1.2A of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

#### 10.5. Substantial Holders

Shareholders who will have a relevant interest in 5% or more of the total Shares on issue upon completion of the Offer are as follows:

- (c) Heat Holdings;
- (d) Margaret Lyndsey Cattermole, including her direct and indirect holdings, and associates, as follows (**Cattermole and Cattermole Associates**):
  - (i) Direct – Alcott Pty Ltd (**Alcott**) (an entity wholly controlled by her) will directly hold tranches of Shares issued upon the conversion of Seed Investor Convertible Notes. Additionally, Hugh Cattermole (Margaret Lyndsey Cattermole's son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole) will directly hold Shares in the Company upon the conversion of Seed Investor Convertible Notes respectively, and in turn, Margaret Lyndsey Cattermole will have an interest in these shares; and
  - (ii) Indirect – Alcott has a substantial holding (of 48.2%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the Shares in the Company that will be held by Heat Holdings; and
  - (iii) the BIA Fund.

Note	Relevant Party	Shares	Minimum Subscription	Maximum Subscription
			%	%
1	Heat Holdings	26,299,381	46.7%	42.6%
2	Cattermole and Cattermole Associates	29,015,758	51.5%	47.0%
3	BIA Fund	31,634,349	56.1%	51.3%

Notes:

- 1) Heat Holdings will have a direct interest in 26,299,381 Shares in the Company following completion of the Proposed Transactions.
- 2) Cattermole and Cattermole Associates will have an interest (directly and indirectly) in 29,015,758 Shares the Company following completion of the Proposed Transactions as follows:
  - a) Alcott will directly hold tranches of 695,135 and 1,924,993 Shares issued upon the conversion of Seed Investor Convertible Notes;
  - b) Alcott has a substantial holding (of 48.2%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, she in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings; and
  - c) Hugh Cattermole (Margaret Lyndsey Cattermole's son) and Cattermole Management Pty Ltd (an entity controlled by Hugh Cattermole) will directly hold 64,166 and 32,083 Shares in the Company respectively, and in turn, she will have interest in these shares.
- 3) BIA Fund will have an interest (directly and indirectly) in 31,634,349 Shares the Company following completion of the Proposed Transactions as follows:
  - a) BIA Fund will directly hold tranches of 4,051,639 and 1,283,329 Shares issued upon the conversion of Seed Investor Convertible Notes; and
  - b) BIA Fund has a substantial holding (of 42%) in Heat Holdings and as a result, pursuant to section 608(3)(a) of the Corporations Act, it in turn has a relevant interest in the 26,299,381 Shares in the Company that will be held by Heat Holdings.

Following completion of the Offer but prior to Shares commencing trading on ASX, the Company will announce to ASX details of its top 20 Shareholders by number of Shares.

## 10.6. Doward litigation disclosure

On or about 20 October 2016, Heat Group entered into an agreement to acquire all of the shares in Doward International Pty Limited ACN 004 500 225 (**Doward**) from its then shareholders (**Sellers**) for a price of approximately \$14.5m subject to adjustments (**Doward SPA**). Completion of the Doward SPA occurred in late 2016. Under the terms of the Doward SPA, a portion of the purchase price was payable on completion. Deferred purchase price payments were also due after completion (subject to, among other things, various conditions being met). Prior to certain deferred payments being made, Heat Group became aware of various breaches of representations and warranties made by the Sellers in the SPA and refused to pay. On or about July 2018, the Sellers issued proceedings seeking to compel the Heat Group to make the payment (to the value of approximately \$2m). Heat Group and Doward issued counterclaims in respect of the alleged breaches under the SPA (to the value of approximately \$7m). The Company has resolved that Heat Group and Doward will vigorously defend these proceedings.

## 10.7. Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, underwriter or other person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, holds at the date of this Prospectus, or has held in the 2 years prior to the date of this Prospectus, an interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer or; or
- (c) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer.

Cornwalls has acted as the legal adviser to the Company in relation to the Offer. Fees payable to Cornwalls for these services are approximately \$200,000 plus GST. Cornwalls may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

BDO has acted as the independent accountant to the Company in relation to the Offer. Fees payable to BDO for these services are approximately \$390,000 plus GST. BDO may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

MST has acted as the lead manager to the Company in relation to the Offer. Fees payable to MST for these services are described in section 4.14 of this Prospectus.

## 10.8. Consents

Each of the parties referred to below:

- (a) does not make the Offer;
- (b) does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- (d) has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear.

Cornwalls has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian legal adviser to the Company in the form and context in which it is named. Cornwalls has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

BDO has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the independent accountant to the Company in the form and context in which it is named. BDO has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

MST has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Lead Manager to the Company in the form and context in which it is named. MST has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

PwC has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named. PwC has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

## 10.9. Expenses of the Offer

The expenses of the Offer are expected to comprise the following amounts, which are exclusive of any GST payable by the Company.

Costs of offer	Minimum Subscription		Maximum Subscription	
	\$	%	\$	%
Legal fees	\$200,000	7.50%	\$200,000	6.22%
Independent accountant fees	\$390,000	14.62%	\$390,000	12.12%
Tax advisory fees	\$39,000	1.46%	\$39,000	1.21%
Audit and accounting fees	\$253,000	9.49%	\$253,000	7.86%
Project management fees	\$48,000	1.80%	\$48,000	1.49%
Lead Manager fees	\$1,250,000	46.87%	\$1,750,000	54.40%
Prospectus liability insurance	\$100,000	3.75%	\$100,000	3.11%
ASX listing fees	\$172,000	6.45%	\$172,000	5.35%
Prospectus design, printing and website	\$50,000	1.87%	\$50,000	1.55%
Share registry costs	\$30,000	1.12%	\$30,000	0.93%
Roadshow expenses	\$10,000	0.37%	\$10,000	0.31%
Other / contingency	\$125,000	4.69%	\$175,000	5.44%
<b>Total</b>	<b>\$2,667,000</b>	<b>100.00%</b>	<b>\$3,217,000</b>	<b>100.00%</b>

## 10.10. Taxation

The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to an investment in Shares under this Prospectus by consulting their own professional tax advisers. Accordingly, the Company strongly recommends that all applicants obtain their own tax advice before deciding on whether or not to invest. Neither the Company nor any of its Directors accepts any liability or responsibility in respect of the taxation consequences of an investment in Shares under this Prospectus.

Each Director of the Company has authorised the issue of this Prospectus and has consented to it being lodged with ASIC.

Signed for and on behalf of the Company

*Garry Hounsell*

15 July 2022

## 11. GLOSSARY

<b>AEST</b>	Australian Eastern Standard Time
<b>Actizyme Agreement</b>	means the IP and Asset Sale Agreement dated 18 October 2021 between Heat Holdings and ERAWA
<b>Actizyme Rights</b>	has the meaning given to it in section 9.3.5
<b>Administrator</b>	has the meaning given to it in section 10.1.2
<b>AEP</b>	Aware Environmental Products Pty Ltd
<b>Alcatt</b>	has the meaning given to it in section 4.12
<b>Applicant</b>	A person who applies for Shares
<b>Application</b>	An application for Shares
<b>Application Form</b>	The Application Form attached to this Prospectus
<b>Application Monies</b>	The Offer Price of \$1.87 per Share multiplied by the number of Shares applied for
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or, where the context requires, the Australian Securities Exchange operated by ASX Limited
<b>Aware</b>	Aware Environmental Pty Ltd ACN 134 677 955
<b>Aware Acquisition</b>	The acquisition of Aware by the Company. See section 9.3
<b>Aware Options</b>	Aware Option and Aware Option 2
<b>Aware Option 1</b>	The option under which the Company will acquire # shares in Aware. See section 9.3.2
<b>Aware Option 2</b>	The option under which the Company will acquire # shares in Aware. See section 9.3.2
<b>Aware Option 1 Agreement</b>	The agreement under which the company acquired Aware Option 1
<b>Aware Option 2 Agreement</b>	The agreement under which the company acquired Aware Option 2
<b>Aware Related Party Creditors</b>	Aware creditors who are related parties of Aware. See section 9.3.3
<b>Aware SPA</b>	The agreement under which the company will acquire # shares in Aware. See section 9.3
<b>Aware Vendors</b>	has the meaning given to it in section 9.3
<b>Aware Vendor Convertible Notes</b>	has the meaning given to it in section 9.3
<b>BIA Fund</b>	has the meaning given to it in section 4.12
<b>Board</b>	Board of directors of the Company

<b>Business</b>	The business of the Company
<b>BRC</b>	has the meaning given to it in section 10.1.2
<b>Cattermole and Cattermole Associates</b>	has the meaning given to it in section 4.12
<b>Closing Date</b>	The date by which valid Application Forms must be received being 12 August 2022 or such other dates as the Company may determine in its discretion
<b>Company</b>	Hiro Brands Limited (formerly Wellness and Beauty Solutions Limited)
<b>Completion</b>	Completion occurs when all of the Shares have been issued by the Company in accordance with the Offer
<b>Consolidation</b>	has the meaning given to it in section 9.5
<b>Constitution</b>	The constitution of the Company
<b>Contribution</b>	has the meaning given to it in section 10.1.2
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>CRN</b>	Customer Reference Number
<b>Deed Administrator</b>	has the meaning given to it in section 10.1.2
<b>Director</b>	A director of the Company
<b>DOCA</b>	has the meaning given to it in section 10.1.2
<b>DOCA Convertible Notes</b>	has the meaning given to it in section 10.1.2
<b>DOCA Creditors</b>	has the meaning given to it in section 10.1.2
<b>DOCA Placement</b>	has the meaning given to it in section 10.1.2
<b>DOCA Shares</b>	has the meaning given to it in section 10.1.2
<b>Eleven</b>	has the meaning given to it in section 9.3.4
<b>Eleven Convertible Notes</b>	has the meaning given to it in section 9.3.4
<b>Eleven Deed</b>	has the meaning given to it in section 9.3.4
<b>ERAWA</b>	ERAWA Pty Ltd
<b>Expiry Date</b>	That date which is 13 months after the date of this Prospectus, being 15 July 2023
<b>Exposure Period</b>	A 7 day period from the date of this Prospectus, or another period of days as decided by ASIC
<b>Forgiveness and Conversion Deeds</b>	has the meaning given to it in section 9.3.3
<b>General Meeting</b>	The general meeting of the Company to be held on or around 19 August 2022
<b>Group</b>	means the Company and each of its subsidiaries (including Heat Group and Aware after completion of the Heat Acquisition and Aware Acquisition)

<b>Heat Acquisition</b>	has the meaning given to it in section 9.2
<b>Heat Acquisition Agreement</b>	has the meaning given to it in section 9.2
<b>Heat Group or Heat</b>	The Heat Group Pty Ltd ACN 092 941 430
<b>Heat Holdings</b>	Heat Holdings Pty Ltd ACN 168 288 346
<b>Heat Shares</b>	has the meaning given to it in section 9.2
<b>Initial Aware SPA</b>	has the meaning given to it in section 9.3.1
<b>Investigating Accountant's Report</b>	A report issued by BDO in respect of the historical financial information
<b>Lead Manager or MST</b>	MST Financial Services Pty Ltd . (ACN 617 475 180).
<b>Listing Rules</b>	The Listing Rules of ASX
<b>Maximum Subscription</b>	The maximum subscription is 18,716,578 Shares at \$1.87 per Share to raise \$35,000,000
<b>Minimum Subscription</b>	The minimum subscription is 13,368,984 Shares at \$1.87 per Share to raise \$25,000,000
<b>New Aware SPA</b>	has the meaning given to it in section 9.3.1
<b>Offer or Public Offer</b>	The offer of Shares under this Prospectus. See section 4.1
<b>Offer Conditions</b>	The conditions of the Offer. See section 4.10.
<b>Offer Price</b>	\$1.87
<b>Opening Date</b>	1 August 2022
<b>Principles and Recommendations</b>	Corporate governance principles and recommendations released by the ASX Corporate Governance Council, Third edition
<b>Quotation</b>	The Shares being quoted for trading on ASX
<b>RPC Convertible Notes</b>	has the meaning given to it in section 9.3.3
<b>Seed Convertible Notes</b>	has the meaning given to it in section 9.4
<b>Seed Investors</b>	has the meaning given to it in section 9.4
<b>Share</b>	A fully paid ordinary share in the Company
<b>Shareholder</b>	A person who holds Shares in the Company
<b>Share Registry</b>	Computershare Investor Services Pty Limited
<b>Timetable</b>	The timetable in section 4.7
<b>Website</b>	The website the Company maintains at <a href="http://www.hirobrands.com">www.hirobrands.com</a>

## 12. CORPORATE DIRECTORY

<b>Directors</b>	Garry Hounsell, Independent Non-Executive Chairperson Steven Chaur, Managing Director and Chief Executive Officer Margaret Lyndsey Cattermole, AM, Non-executive Director David Botta, Non-executive Director Paul Docherty, Non-executive Director Amber Collins, Non-executive Director
<b>Company Secretary</b>	Hasaka Martin
<b>Registered Office</b>	11 Dalmore Drive, Scoresby VIC 3179
<b>Share Registry</b>	Computershare Investor Services Pty Limited GPO Box 52 Melbourne VIC 3000
<b>Solicitors to the Offer</b>	Cornwalls Level 10, 114 William Street Melbourne VIC 3000 Telephone: 03 9608 2000
<b>Investigating Accountant</b>	BDO Collins Square   Tower Four Level 18, 727 Collins Street Melbourne Victoria 3008
<b>Auditors</b>	PwC Level 19, 2 Riverside Quay Southbank Victoria 3006
<b>Lead Manager</b>	MST Financial Services Pty. Ltd. Level 13, 14 Martin Place Sydney NSW 2000
<b>Offer Information Line</b>	9.00am to 5.00pm (Within Australia) 1300 850 505 (Outside Australia) +61 03 9415 4000