

Dear Mr. McGibbon,

11 April 2018

**Heritage Brands Limited (the “Company” or “HBA”)**

**Re: Periodic Disclosure Query**

We refer to the Annual Financial Report lodged on 27<sup>th</sup> September 2017<sup>1</sup> on which NSX has made below observations.

Other Expenses<sup>2</sup> reported in the Consolidated Statement of Profit or Loss for the period ended 31 July 2017 is AUD(\$4,586,405), which is substantially higher compared to AUD(\$2,482,003) for the period ended 31 July 2016.

Please refer to the below snapshot (fig.1) of Note 4<sup>3</sup> in the Annual Financial Report which provides the composition of Other Expenses account.

Mr. Christopher McGibbon  
Company Secretary  
Heritage Brands Limited  
30 Bando Road,  
Springvale VIC Australia 3171

**4 Result for the Year**

The result for the year includes the following specific expenses

	2017 \$	2016 \$
Cost of sales	30,791,763	27,868,705
<b>Finance Costs</b>		
<b>Financial liabilities measured at amortised cost:</b>		
- Other entities	561,538	649,787
<b>Total finance costs</b>	<b>561,538</b>	<b>649,787</b>
<b>Other expenses:</b>		
Superannuation contributions	712,225	543,557
Impairment of receivables:		
- Trade receivables	1,723	13,156
<b>Total impairment of receivables</b>	<b>1,723</b>	<b>13,156</b>
Rental expense on operating leases:		
- Minimum lease payments	443,129	436,597
Loss on disposal of property, plant and equipment	26,972	7
Write-down of inventories to net realisable value	204,545	36,341
 Included in other expenses are the following items which are considered abnormal as they relate to expenses which the directors have determined relate to future investment into the Group		
Salary and wage expenses related to future product launches	697,515	-
Travel	85,232	-
Restructuring costs	106,660	62,504
Other	27,273	20,602
	<b>916,680</b>	<b>83,106</b>

We observe that the amount of Other Expenses reported in the Consolidated Statement of Profit or Loss for the period ended 31 July 2017 being AUD(\$4,586,405) is not reflected in the above breakdown provided in Note 4.

<sup>1</sup> Link of the Annual Financial Report for the period ended at 31 July 2017 – <https://www.nsx.com.au/ftp/news/021734071.PDF>

<sup>2</sup> Annual Financial Report for the period ended at 31 July 2017 – Page 16

<sup>3</sup> Annual Financial Report for the period ended at 31 July 2017 – Page 32

NSX notes that in 2016 Annual Financial Report<sup>4</sup> there have been no notes supporting the breakdown of Other Expenses.

In relation to the above observations please response to the below questions.

1. Please explain why the amounts of Other Expenses AUD(\$4,586,405) in Consolidated Statement of Profit or Loss is absent from the table in Note 4 (fig.1).
2. Please provide a table comparing the Other Expenses for 2016 and 2017 that would allow for a comparison of individual items comprising Other Expenses for the two periods.
3. Can the Company please provide information supporting the material change in its Other expenses from 31 July 2016 to 31 July 2017?
4. When did the Company first become aware of the information regarding possible change in business activities that could result in material change in Other expenses?
5. Does the Company believe it is in compliance with Listing Rule 6.4 as the financial position of the group has significantly changed from the period ended 31 July 2016 to the period ended 31 July 2017?

Your response should be sent to me directly via email no later than 4pm on 13<sup>th</sup> April 2018. Your response will be released to the market along with a copy of this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Please be reminded that the Issuer must comply with Chapter 6CA of the Corporations Act and Listing Rules Section IIA 6.4, 6.5 and 6.5A under continuous disclosure.

#### **Listing Rule 6.4**

The NSX continuous disclosure rule states:

Generally, and apart from compliance with all the specific requirements, the issuer shall keep the Exchange informed without delay, for dissemination of any information relating to the group of which it is aware that:

- is necessary to enable the Exchange and the public to appraise the financial position of the issuer and the group;
- is necessary to avoid the establishment of a false market in its securities; or
- a reasonable person would expect to have a material effect on the price or value of its securities.

Such information must be made available to the Exchange before the time at which any other public announcement of the information is made.

These provisions will be breached by an issuer who intentionally, recklessly or negligently fails to notify the Exchange of information that:

- is not generally available; and
- a reasonable person would expect, if it were generally available, to have a material effect on the price or value of its securities.

Yours sincerely

**Ingrid Wei**  
**Market Surveillance Analyst**

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<sup>4</sup> Link of the Annual Financial Report for the period ended at 31 July 2016 – <https://www.nsx.com.au/ftp/news/021731924.PDF>