



(ACN 108 958 274)

Allied Brands Limited
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REF: Corro270209-1

27 February 2009

FOR IMMEDIATE RELEASE TO THE MARKET

APPENDIX 4D

We herewith submit Appendix 4D being results for the half year ended 31st December 2008.

For further information please contact Peter Graham, Managing Director, on (07) 5588 0800.

Appendix 4D

Provided to the Stock Exchange (ASX) under ASX Listing Rule 4.2.A.3

Entity: **Allied Brands Limited**
A.B.N **20 108 958 274**

Reporting period: Half year ended 31 December 2008
 Previous corresponding period: Half year ended 31 December 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	6 months ended 31 December 2008 \$	6 months ended 31 December 2007 \$		Movement \$	Movement %
Revenue from ordinary activities	27,370,607	14,877,659	Up	12,492,948	84.0%
Profit (loss) from ordinary activities after income tax attributable to members	1,642,509*	2,262,306	Down	(619,797)	(27.4%)
Net profit (loss) for the period attributable to members	1,642,509*	2,262,306	Down	(619,797)	(27.4%)

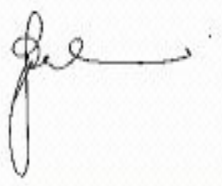
	Current Period	Previous corresponding period
Basic earnings per security	\$0.016	\$0.025
Diluted earnings per security	\$0.014	\$0.024
Net tangible assets per security	-\$0.044**	-\$0.075

* Net profit for the period attributable to members has been negatively impacted by the fact that the company has utilised the vast majority of previously available tax losses and hence is subject to a higher rate of tax

** Net tangible assets have been negatively impacted by the recognition of a current liability in the amount of \$5,000,000 relating to an earn out payable for the acquisition of Awesome Water. The base earn out amount of \$2,500,000 reduces by \$4.00 for every dollar by which the earn out budget is less than the approved budget. In addition, for each dollar above the approved budget \$4.00 will be added to the earn out amount to a cap of an additional earn out amount of \$2,500,000. The maximum earn out amount is \$5,000,000. The final amount will be settled in March 2009 by way of a share issuance at \$0.65 per share. Accordingly, assuming no change to the forecast earn out amount, net assets should increase by this same amount which would result in net tangible assets per security of \$0.005.

Directors declared a full-franked dividend of 1.0 cents per share for the year ended 30 June 2008. The record date for the payment was 12 January 2009 with payment being made on 27 January 2009. No dividend was declared or proposed for the six months ended 31 December 2008.

This report is to be read in conjunction with the attached half year financial report and the most recent annual financial report.



Peter Graham
 Director
 27th February 2009



Lachlan McIntosh
 Director



Half Year Report

**Allied Brands Limited and its Controlled Entities
For the half year ended 31 December 2008**

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Allied Brands Limited (the "Company") and its controlled entities, for the half-year ended 31 December 2008 and the review report thereon.

Directors:

The Directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
Non-executive	
Mr Lachlan McIntosh (Chairman)	Appointed 20 July 2006
Executive	
Mr Peter A Graham (Managing Director)	Appointed 5 May 2004
Mr Peter Elligett	Appointed 20 March 2007
Mr Tony Underwood	Appointed 31 August 2007

Financial performance comparison for first half

	31 December 2008	31 December 2007	Change (%)
Revenue	27.4m	14.9m	84.0
EBITDA	4.2m	3.2m	31.3
NPBT	2.6m	2.7m	(6.5)
NPAT	1.6m*	2.3m	(27.4)

*Net profit after tax the period has been negatively impacted by the fact that the company has utilised the vast majority of previously available tax losses and hence is subject to a higher tax rate of tax

Review of operations

The Company is pleased to report a profit for the six months ended 31st December 2008 for the consolidated entity from ordinary activities before income tax of \$2,560,887. This represents a decrease of 6.5% over last year's reported result. This result meets our internal expectations taking into account the higher cost of funding during most of the period.

Group revenue increased to \$27.4 million for the period which represents growth of 84% over last years' \$14.9 million. The increase is primarily due to a full 6-months reporting for the Awesome Group and the growth in sales of all the retail brands.

The Company's retail brands experienced same store sales growth of 5% and total system sales growth of approximately 24% over the corresponding period in 2007. The Awesome Group also traded strongly selling its first TV's during the period and bringing total water cooler and TV sales in Australia in excess of 40,000 customers.

Based on preliminary results for January and February trading, we expect the growth in the groups same store retail sales and Awesome Group sales to continue in the second half of the financial year. A highlight has been Baskin Robbins' same store sales growth in December and January of 9.7% and Awesome Water's same territory sales growth in December and January of 20.3%.

During the reporting period, we experienced a negative impact on the contribution margins in Cookie Man due to a significant increase in the price of raw materials. However, margin pressure is abating and margins are returning to historic levels. Further, Baskin-Robbins, Cookie Man and the Awesome Group were negatively impacted by the falling Australian dollar against the US dollar both from a margin perspective and also from the cash flow impact of the additional cost of stock on hand.

Further, following aggressive growth in the financial year ended 2008, the company entered financial year 2009 maintaining aggressive growth targets. This resulted in significant working capital outlays and capital expenditure across the group during the period. However, as the market and general economy turned downward during the past 6 months, the Company has reduced its immediate growth targets and capital outlays and associated expenses will be significantly less in the second six months of 2009.

Operating cash flow for the period was negative \$661,164. The main reason for this was the significant seasonal stock build up for all brands of approximately \$2m and store development costs across the group and Awesome Entertainment. It should be noted that traditionally, operating cash flow is far stronger in the second half of the financial year and that operating profit is also weighted to the second half of the year.

The international development of the Cookie Man business is developing more slowly than expected, due to the current difficult international financial situation. Interest remains at a high level but the company is taking a cautious view to ensure appropriate international partners are chosen.

Historically the range of products and services that Allied Brands provides tend to fare well in a downturn because they are seen as affordable treats which consumers retreat to as they shy away from more expensive purchases.

Outlook

Given the significant growth in the past two years and the current state of the Australian and global economies, the company will continue to focus in the immediate future on consolidation of the growth strategies previously enacted and is reviewing all costs in the group to adjust for the change in economic circumstances. The company will focus significantly on increasing same store sales and on optimising franchisee and head office operations. To spearhead this initiative the company has appointed Shane Radbone as Chief Executive Officer and Ian Gallagher as National Customer Services Manager (more details on these appointments follow)

The group currently numbers 320 stores and territories. Access to new franchisees continues to accelerate and by 30 June 2009 we expect to have a total of approximately 340 stores and territories operating in Australia and New Zealand.

The company is confident that the businesses will continue to show satisfactory growth for the balance of the financial year, primarily through continuing improvements in processes and organic growth. The company is also likely to benefit from the Government stimulus package and from the market sectors in which we operate. These sectors continue to show modest growth even in times of financial uncertainty. However, given the changing events currently occurring in the domestic and global financial markets, which are spilling over into the general economy, and the heightened uncertainty about the future of the economy, the company expects its full-year net profit before tax to be between \$6.0 - \$7.0m. This range is a slight decrease to the \$7.25m achieved last financial year and the target we were striving to achieve and better this financial year.

Dividend

The directors declared a full-franked dividend of 1.0 cent per share for the year ended 30 June 2008. The record date for payment was 12 January 2009 with payment occurring on 27 January 2009.

Management

The company is pleased to announce that Shane Radbone has been appointed CEO. Mr Radbone joined the company in February 2008 as Chief Operating Officer bringing a strong background in franchising to the company. He has played a major role in the post-acquisition integration of the businesses Allied Brands has acquired in the last two years. Prior to joining the company, Shane was CEO of VIP Home Service Group and CEO of the Wendys Supa Sundae ice-cream chain.

Additionally, Ian Gallagher has been appointed to the position of National Customer Service Manager for the group. This recognises the importance of customer service as a key ingredient of continuing the transactional growth and like for like store sales. He previously held a similar position with Wendy's Ice Cream for the last 5 years.

The appointment of Mr Radbone as CEO and Mr Gallagher as National Customer Service Manager is part of the continued program of strengthening the management structure at Allied Brands in recognition of the exceptional growth of the company to date and the future plans.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors' Report for the half-year ended 31 December 2008.

Dated at Gold Coast this 27th day of February 2009

Signed in accordance with a resolution of the directors:



Peter Graham
Director



Lachlan McIntosh
Director

27 February 2009

The Chairman
The Board of Directors
Allied Brands Limited
Suite 303 Level 3 The Wave Building
89 - 91 Surf Parade
BROADBEACH QLD 4218

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the Directors of Allied Brands Limited**

I declare that, to the best of my knowledge and belief, during the half year ended 31
December 2008 there have been:

- a) no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to
the review.

Yours faithfully



Hacketts DFK



**Shaun Lindemann
Partner**

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Revenue		27,370,607	14,877,659
Other income	3	394,352	1,019,111
Raw materials and consumables purchased		(12,591,566)	(6,046,400)
Changes in inventories of finished goods		1,217,773	260,973
Royalties paid		(64,796)	(109,740)
Administration expenses		(1,816,920)	(1,080,213)
Employee expenses		(3,655,246)	(2,318,950)
Bad and doubtful debts		(244,860)	(216,723)
Occupancy		(3,747,410)	(2,422,482)
Depreciation & amortisation		(647,101)	(276,966)
Store development costs		(2,604,897)	(751,636)
Other operating expenses		(20,411)	(11,068)
Operating profit before financing costs		<u>3,589,525</u>	<u>2,923,565</u>
Financial income		41,572	65,992
Financial expenses		(1,070,210)	(251,759)
Net financing income (expenses)		<u>(1,028,638)</u>	<u>(185,767)</u>
Profit before tax		<u>2,560,887</u>	<u>2,737,798</u>
Income tax expenses		(918,378)	(475,492)
Profit for the period		<u>1,642,509</u>	<u>2,262,306</u>
Basic earnings (loss) per share attributable to ordinary equity holders (cents)	5	1.60	2.45
Diluted earnings (loss) per share attributable to ordinary equity holders (cents)	5	1.60	2.43

The consolidated income statement is to be read in conjunction with the notes to the interim financial statements.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 Dec 2008 \$	30 Jun 2008 \$
Current assets			
Cash and cash equivalents		1,892,580	4,156,816
Trade and other receivables	6	13,353,605	8,309,828
Inventories		5,382,119	3,448,464
Other current assets		678,311	361,321
Assets held for sale	7	3,441,400	486,732
Total current assets		24,748,015	16,763,161
Non-current assets			
Trade and other receivables	6	6,048,184	3,416,994
Deferred tax assets		733,169	817,525
Intangible assets	9	26,609,634	21,106,967
Property, plant and equipment		4,798,930	5,646,127
Total non-current assets		38,189,917	30,987,613
Total assets		62,937,932	47,750,774
Current liabilities			
Trade and other payables		8,726,298	6,463,371
Provision for Earn-out	9	5,000,000	-
Interest bearing loans & borrowings	10	4,206,852	4,405,820
Employee benefits		463,069	421,853
Current tax liabilities		2,127,807	1,138,307
Unearned income		204,181	217,335
Total current liabilities		20,728,207	12,646,686
Non-current liabilities			
Interest bearing loans & borrowings	10	9,359,771	5,843,539
Convertible notes		9,707,500	7,863,750
Employee benefits		79,991	71,840
Unearned income		200,960	312,039
Total non-current liabilities		19,348,222	14,091,168
Total liabilities		40,076,429	26,737,854
NET ASSETS		22,861,503	21,012,920
Equity			
Issued capital		18,702,545	18,496,471
Reserves		76,532	76,532
Accumulated profit (losses)		4,082,426	2,439,917
TOTAL EQUITY		22,861,503	21,012,920

The consolidated balance sheet is to be read in conjunction with the notes to the interim financial statements.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Consolidated	Share capital \$	Accumulated profits (losses) \$	Reserves \$	Total \$
Balance at 1 July 2007	10,430,513	(3,265,426)	76,532	7,241,619
Total recognised income and expense	-	2,262,306	-	2,262,306
Shares issued	5,082,065	-	-	5,082,065
Transaction costs	(390,384)	-	-	(390,384)
Balance at 31 December 2007	15,122,194	(1,003,120)	76,532	14,195,606
Balance at 1 July 2008	18,496,471	2,439,917	76,532	21,012,920
Total recognised income and expense	-	1,642,509	-	1,642,509
Shares issued	356,000	-	-	356,000
Share buy-backs	(141,009)	-	-	(141,009)
Transaction costs	(8,917)	-	-	(8,917)
Balance at 31 December 2008	18,702,545	4,082,426	76,532	22,861,503

The consolidated statement of changes in equity is to be read in conjunction with the notes to the interim financial statements.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Cash flows from operating activities			
Cash receipts from customers		22,755,048	12,134,787
Cash paid to suppliers and employees		(22,387,574)	(11,673,573)
Cash generated from operations		367,474	461,214
Interest paid		(1,070,210)	(213,538)
Income taxes paid		-	(121,399)
Interest received		41,572	49,738
Net cash from operating activities		(661,164)	176,015
Cash flows from investing activities			
Acquisition of capital work in progress and PP&E		(3,436,414)	(1,542,547)
Proceeds from contractual settlement		-	652,832
Net cash paid on acquisition of subsidiary		-	(3,840,904)
Additional acquisition costs paid for purchase of subsidiaries		(1,062,110)	(29,705)
Loans to related parties/franchisees		(337,263)	(795,278)
Payment of development costs		(316,990)	(287,405)
Payments for intangible assets		(4,595)	(29,545)
Proceeds (payment) of other deposits		-	-
Net cash from investing activities		(5,157,372)	(5,872,552)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	1,675,000
Proceeds from borrowings		4,832,875	4,610,681
Repayment of borrowings		(3,266,992)	(1,678,996)
Proceeds from convertible notes issue		1,843,750	4,587,500
Cost of share buy-back		(149,927)	-
Net cash from financing activities		3,259,706	9,194,185
Net increase/(decrease) in cash and cash equivalents		(2,558,830)	3,497,648
Cash and cash equivalents at 1 July 2007		4,156,816	827,965
Cash and cash equivalents net of overdrafts at 31 December 2008	8	1,597,986	4,325,613

The consolidated statement of cash flows is to be read in conjunction with the notes to the interim financial statements.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES

Allied Brands Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the six months ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated financial report was authorised for issue by the directors on 27 February 2009.

(a) Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Allied Brands Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been consistently applied throughout the consolidated entity for the purposes of this consolidated interim financial report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

2. SEGMENT REPORTING

Segment information is presented in the consolidated financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business Segments

The consolidated entity comprises the following main business segments:

Food - the sale of ice-cream, cookie-related products and dry goods to franchisees, receipt of royalties and construction of new stores and rental income earned on baking ovens.

Non Food - the receipt of royalties and rental income in respect of furniture, fixtures and equipment from franchisees and other parties, and the sale of franchised areas for the sale and servicing of water coolers and filters and televisions.

Geographical segments

The company operates in two geographical segment - Australia and New Zealand.

	Food		Non-Food		Consolidated	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Segment revenue	11,842,092	8,340,782	15,392,516	6,536,877	27,234,608	14,877,659
Other income	251,986	709,892	142,366	309,219	394,352	1,019,111
	<u>12,094,078</u>	<u>9,050,674</u>	<u>15,534,882</u>	<u>6,846,096</u>	<u>27,628,960</u>	<u>15,896,770</u>
Segment result*	<u>2,200,556</u>	<u>1,291,347</u>	<u>360,331</u>	<u>1,446,451</u>	<u>2,560,887</u>	<u>2,737,842</u>
Unallocated income less unallocated expenses					<u>-</u>	<u>-</u>
Operating profit					2,560,887	2,737,842
Income tax expense					<u>(918,378)</u>	<u>(475,492)</u>
Profit (loss) for the period					<u>1,642,509</u>	<u>2,262,350</u>

* Corporate overheads have been allocated to non food.

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

3. PROFIT FROM ORDINARY ACTIVITIES

	31 Dec 2008	31 Dec 2007
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
<i>Other Income</i>		
Assets acquired for no consideration	-	652,832
Write back of onerous contract provision	-	304,401
Profit from short term currency hedge	247,378	-
Other non operating income	146,974	61,878
	394,352	1,019,111

4. DIVIDENDS

Directors declared a fully-franked dividend of 1.0 cents per share for the year ended 30 June 2008. The record date for the payment was 12 January 2009 with payment made on 27 January 2009. No dividend has been declared or proposed for the six months ended 31 December 2008.

5. EARNINGS PER SHARE

	31 Dec 2008	31 Dec 2007
	\$	\$
Profit (loss) attributable to ordinary shareholders	1,642,509	2,262,306
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	102,583,236	92,111,159
Adjustments for calculation of diluted earnings per share:		
Convertible notes	17,087,295	1,185,615
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share:	119,670,531	93,296,774
Profit(Loss) adjustments for calculation of diluted earnings per share:	268,456	-
<i>Basic earnings per share (cents)</i>	1.601	2.456
<i>Diluted earnings per share (cents)</i>	1.597	2.425

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

6. TRADE AND OTHER RECEIVABLES

	31 Dec 2008	30 Jun 2008
	\$	\$
Current		
Trade receivables	8,584,763	5,738,052
Accrued royalty	441,234	345,781
Receivables due from related parties and franchisees	228,899	195,000
Prepayments	4,082,288	676,089
Other receivables and deposits	16,420	1,354,906
	13,353,605	8,309,828
Non-current		
Receivables due from related parties and franchisees	6,048,184	271,660
Other receivables and deposits	-	3,145,334
	6,048,184	3,416,994

7. ASSETS HELD FOR RESALE

	31 Dec 2008	30 Jun 2008
	\$	\$
Corporate stores held for sale (i)	3,248,159	382,492
Areas held for re-sale	193,241	102,240
	3,441,400	484,732

The increase in this asset class relates to the expansion programme undertaken in 2008.

8. RECONCILIATION OF CASH

	31 Dec 2008	31 Dec 2007
	\$	\$
Cash and cash equivalents for the purposes of the statement of cash flows is reconciled as follows:		
Cash at bank and on hand	1,892,580	4,788,680
Bank overdraft (disclosed in interest bearing liabilities)	(294,594)	(463,067)
	1,597,986	4,325,613

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

9. BUSINESS COMBINATIONS

Additional goodwill of \$237,500 has been recognised during the six months to 31 December 2008 regarding the acquisition of Kenny's Cardiology Pty Ltd.

Total consideration disclosed at 30 June 2008	6,576,528
Additional expenses	<u>237,500</u>
Total consideration	<u>6,814,028</u>
Net value of assets acquired disclosed at 30 June 2008	<u>(795,838)</u>
Revised goodwill - Kenny's Cardiology.	<u>7,609,866</u>

Additional goodwill of \$5,296,610 has been recognised during the six months to 31 December 2008 regarding the acquisition of Awesome Water Pty Ltd. Of this amount \$5,000,000 relates to the earn out.

Total consideration disclosed at 30 June 2008	7,430,429
Additional expenses	<u>5,296,610</u>
Total consideration	<u>12,727,039</u>
Net value of assets acquired disclosed at 30 June 2008	<u>335,624</u>
Revised goodwill - Awesome Water	<u>12,391,415</u>

All goodwill adjustments relating to the above entities were made within 12 months of the acquisition date.

10. INTEREST BEARING LOANS

	31 Dec 2008	30 Jun 2008
Current	4,206,852	4,405,820
Non current	<u>9,359,771</u>	<u>5,843,539</u>
	<u>13,566,623</u>	<u>10,249,359</u>

The debt at 31 December 2008 comprised the following:

	\$
Acquisition	6,334,000
Hire Purchase	4,861,520
Trade finance	1,284,905
Overdraft/Other	1,086,198
	<u>13,566,623</u>

11. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities as disclosed in the prior annual report for the six months to 31 December 2008 except for the following:

ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Pursuant to the purchase of Awesome Water Pty Ltd in the prior financial year, there is a contingent liability to the vendors under the share sale agreement if the approved earn out budget is attained. The base earn-out amount of \$2,500,000 reduces by \$4.00 for every dollar by which the earn-out budget is less than the approved budget. In addition, for each dollar above the approved budget \$4.00 will be added to the earn out amount to a cap of an additional earn out amount of \$2,500,000. The maximum earn out amount is \$5,000,000. The directors expect the actual earn out accounts to be finalised in mid-March 2009 at which time the final earn out amount can be accurately determined and accounted for. Based on information available as at 31 December 2008 Directors are of the opinion that the potential earn out amount is reasonable estimated at \$5,000,000 and have recorded this as a current liability provision. However, it is important to note that this provision may change by \$4.00 up or down for every \$1.00 that the final earn out profit increases or decreases. The earn out amount is payable in shares at \$0.65 per share

12. SUBSEQUENT EVENTS

In January the company refinanced its \$3,000,000 bank bill facility. The new term of the loan is for 5 years maturing 10 February 2014. The new loan calls for quarterly principal reductions throughout the term of the loan.

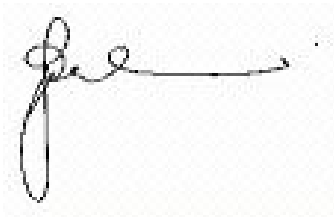
ALLIED BRANDS LIMITED AND ITS CONTROLLED ENTITIES
ABN 20 108 958 274

DIRECTORS' DECLARATION

1. In the opinion of the directors of Allied Brands Limited ("the company"):
 - (a) the financial statements and notes, set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date: and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at the Gold Coast this 27th February 2009.

Signed in accordance with a resolution of the directors:-



Peter Graham
Director



Lachlan McIntosh
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ALLIED BRANDS LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Allied Brands Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Allied Brands Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ALLIED BRANDS LIMITED (Continued)**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Allied Brands Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Hacketts

**HACKETTS DFK
Brisbane**

Sg Lindemann

**Shaun Lindemann
Audit Partner**

Dated: 27 February 2009