

Independent Auditor's Report
For the financial year ended 31 July 2012
To the Members of LifeBrandz Ltd

Report on the financial statements

We have audited the accompanying financial statements of LifeBrandz Ltd (the "Company") and its subsidiaries (collectively the "Group") set out on pages 37 to 69, which comprise the statements of financial position of the Group and the Company as at 31 July 2012, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statements of financial position and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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Emphasis of matter

We draw attention to Note 2 to the financial statements. The Group and Company incurred net losses of \$4,441,000 and \$4,743,000 respectively during the financial year ended 31 July 2012 and as at that date, the Group and Company's current liabilities exceeded their current assets by \$1,969,000 and \$1,263,000 respectively. The Group also incurred an operating cash outflow of \$28,000 for the year. This indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's abilities to continue as going concerns. As disclosed more fully in Note 2, the directors have prepared these financial statements on a going concern basis on the assumption that the Group and Company will be able to generate sufficient cash flows from their operations going forward and that the probability of any outflow of resources to the Group for settlement of the legal matters disclosed in Note 26 to the financial statements is remote.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
19 October 2012

Notes to the Financial Statements
31 July 2012

2. Fundamental accounting concept

During the year ended 31 July 2012, the Group and Company incurred net losses of \$4,441,000 (2011: \$2,469,000) and \$4,743,000 (2011: \$887,000) respectively. As at that date, the Group and the Company's current liabilities exceeded their current assets by \$1,969,000 (2011: net current assets of \$3,906,000) and \$1,263,000 (2011: net current assets of \$3,935,000) respectively. The Group had also incurred an operating cash outflow of \$28,000 for the year. This indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's abilities to continue as going concerns. In addition, as disclosed in Note 26 to the financial statements, the Group currently has pending legal suits with Giorgio Ferrari Pte Ltd and Mint Studio respectively. As disclosed further in that note, management intends to contest the disputed claims vigorously and holds the view that the probability of any outflow of resources to the Group for settlement of the legal matters is remote. Accordingly, no provision for any contingent liability has been made in these financial statements.

In the opinion of the directors, the Group and the Company are able to continue as going concerns despite their net current liabilities positions as at year end due to the Group and the Company's abilities to generate sufficient cash flows from their operations going forward and that the probability of any outflow of resources to the Group for settlement in relation to the pending legal suits is remote. Accordingly, the directors of the Group and the Company are of the view that the use of the going concern assumption is appropriate for the preparation of these financial statements.

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Notes to the Financial Statements
31 July 2012

26. Legal matters

(a) On 29 October 2009, the Company and four of its subsidiaries were served with a Writ of Summons under Suit No. 894/2009/H ("Suit 894/2009") for breach of contract as filed by Giorgio Ferrari Pte Ltd ("GF").

On 25 May 2012, the Learned Assistant Registrar Chua Hui Han Eunice of the High Court of Singapore dismissed Suit 894/2009 pursuant to the Company's application in Summons No. 1819/2012/A. On 1 June 2012, GF filed an appeal against this decision which was dismissed by the Honourable Justice Andrew Ang on 31 July 2012. On 29 August 2012, GF filed a Notice of Appeal to the Court of Appeal against this decision. The hearing of this appeal is presently scheduled for the week of 23 February 2013.

Management intends to contest the appeal vigorously and is of the view that the probability of any outflow of resources to the Group for settlement of this legal matter is remote. Accordingly, no provision for any contingent liability has been made in the financial statements for the years ended 31 July 2012 and 31 July 2011.

(b) On 5 July 2012, the Company's subsidiary, Cannery Leisure Pte Ltd, was served with a Writ of Summons in Suit No. 556 of 2012/V by Mint Studio ("MS") for monies allegedly due in respect of renovation works carried out by MS.

By the Writ of Summons, MS is claiming an alleged sum of \$728,365 from the subsidiary. Management intends to contest MS's claim vigorously as included in this alleged sum are amounts relating to variation orders that had not been agreed to by management. Further, the subsidiary has a counterclaim against MS for defective works which the subsidiary is entitled to set-off from MS's claim. Pending the finalization of technical expert opinions on the value of the alleged variation works and the defective works, the net amount due to MS by the subsidiary, if any, cannot be reasonably estimated.

Management is of the view that the probability of any outflow of resources to the Group for settlement of this legal matter is remote. Accordingly, no provision for any contingent liability has been made in the financial statements for the year ended 31 July 2012.