Vitaco Health Group Limited

Financial Statements

For the year ended 31 March 2013

Vitaco Health Group Limited

Financial Statements

For the year ended 31 March 2013

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Directors' report

The Board of Directors have pleasure in presenting the annual report of Vitaco Health Group Limited, incorporating the financial statements and the auditors' report, for the year ended 31 March 2013.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised these financial statements presented on pages 4 to 50 for issue on 23 July 2013.

Directors' responsibility statement

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and Group as at 31 March 2013 and their financial performance for the year ended on that date.

The directors consider that the financial statements of the Company and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Board.

....	....
Director	Director
23 July 2013	23 July 2013

Independent Auditors' Report

to the shareholders of Vitaco Health Group Limited

Report on the Financial Statements

We have audited the financial statements of Vitaco Health Group Limited ("the Company") on pages 4 to 50, which comprise the balance sheets as at 31 March 2013, the statements of comprehensive income and statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant 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 auditors' judgement, 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 auditors consider the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, 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.

We have no relationship with, or interests in, Vitaco Health Group Limited or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance services. These services have not impaired our independence as auditors of the Company and Group.

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Independent Auditors' Report

Vitaco Health Group Limited

Opinion

In our opinion, the financial statements on pages 4 to 50:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
23 July 2013

Auckland

Vitaco Health Group Limited

Statements of Comprehensive Income

For the year ended 31 March 2013

	Notes	Group	Group	Parent	Parent
		Year to 31 March 2013 $000's	Year to 31 March 2012 $000's	Year to 31 March 2013 $000's	Year to 31 March 2012 $000's
Revenue	5	183,573	171,241	-	-
Other income	6	525	287	181	176
Finished goods and work in progress used	11	(15,554)	(8,555)	-	-
Raw materials and consumables used	11	(81,421)	(80,793)	-	-
Employee benefits expense	7	(29,037)	(26,043)	-	-
Depreciation and amortisation expense	7	(4,023)	(5,331)	-	-
Interest rate swap fair value		209	288	-	-
Finance costs	7	(9,944)	(10,366)	-	-
Share of profit of associate	26	-	1	-	1
Other expenses		(36,894)	(34,668)	(188)	(110)
Total expenses		(176,664)	(165,467)	(188)	(109)
Debt forgiven	18	9,160	-	-	-
Profit / (loss) before income tax		16,594	6,061	(7)	67
Income tax expense	8	(1,307)	(617)	-	-
Profit / (loss) for the year		15,287	5,444	(7)	67
Profit / (loss) attributable to the shareholders of Vitaco Health Group Limited		15,287	5,444	(7)	67
Other comprehensive loss					
Movement in foreign currency translation reserve		(702)	(1,543)	-	-
Other comprehensive loss for the year, net of tax		(702)	(1,543)	-	-
Total comprehensive income / (loss) for the year		14,585	3,901	(7)	67

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Vitaco Health Group Limited

Balance Sheets

As at 31 March 2013

	Notes	Group 2013 $000's	Group 2012 $000's	Parent 2013 $000's	Parent 2012 $000's
ASSETS					
Current assets					
Cash and cash equivalents	9	3,923	2,567	-	-
Trade and other receivables	10	33,697	32,381	473	367
Inventories	11	34,086	31,506	-	-
Total current assets		71,706	66,454	473	367
Non-current assets					
Property, plant and equipment	13	18,545	13,496	-	-
Derivative financial instruments	12	335	-	-	-
Deferred tax assets	14	7,702	6,265	-	-
Intangible assets	15	106,734	112,441	-	-
Loans to related parties	27	1,542	1,592	3,009	2,748
Investment in associate	26	15	15	-	-
Investments in subsidiaries	26	-	-	82,873	80,624
Total non-current assets		134,873	133,809	85,882	83,372
Total assets		206,579	200,263	86,355	83,739
LIABILITIES					
Current liabilities					
Trade and other payables	16	25,420	26,394	43	46
Current tax payable		2,620	1,753	-	-
Derivative financial instruments	12	101	581	-	-
Provisions	17	1,827	1,601	-	-
Borrowings	18	9,966	112,143	85	71
Total current liabilities		39,934	142,472	128	117
Non-current liabilities					
Borrowings	19	92,348	429	-	-
Provisions	17	170	151	-	-
Loans from related parties	27	-	-	1,531	1,250
Total non-current liabilities		92,518	580	1,531	1,250
Total liabilities		132,452	143,052	1,659	1,367
Net assets		74,127	57,211	84,696	82,372
EQUITY					
Contributed equity	20	84,474	82,262	84,474	82,262
Reserves	21	101,939	77,198	104,312	78,869
Accumulated losses	21	(112,286)	(102,249)	(104,090)	(78,759)
Total equity		74,127	57,211	84,696	82,372

Director

Director

The above balance sheets should be read in conjunction with the accompanying notes.

Vitaco Health Group Limited

Statements of Changes in Equity

For the year ended 31 March 2013

GROUP	Share Capital	Accum. Losses	Mandatory Notes Conversion Reserve	Convertible Preference Shares Conversion Reserve	Share Options Convers. Reserve	Trans. of Foreign Operations	Total Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Equity at 1 April 2011	**82,262**	**(87,157)**	**42,215**	**15,203**	**829**	**(128)**	**53,224**
Profit for the year	-	5,444	-	-	-	-	5,444
Movement in foreign currency translation reserve	-	-	-	-	-	(1,543)	(1,543)
Capitalisation of mandatory convertible note coupon accrual	-	(15,184)	15,184	-	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(5,352)	-	5,352	-	-	-
Share Options transfer from retained earnings	-	-	-	-	86	-	86
Equity at 1 April 2012	**82,262**	**(102,249)**	**57,399**	**20,555**	**915**	**(1,671)**	**57,211**
Profit for the year	-	15,287	-	-	-	-	15,287
Increase in Capital	2,640	-	-	-	-	-	2,640
Cancellation of Shares	(428)	-	-	-	-	-	(428)
Movement in foreign currency transl res	-	-	-	-	-	(702)	(702)
Loss on cancellation of shares	-	(201)	-	-	-	-	(201)
Capitalisation of mandatory convertible note Coupon accrual	-	(17,529)	17,529	-	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(7,594)	-	7,594	-	-	-
Share Options transfer from retained earnings	-	-	-	-	320	-	320
Equity at 31 March 2013	**84,474**	**(112,286)**	**74,928**	**28,149**	**1,235**	**(2,373)**	**74,127**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

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Vitaco Health Group Limited

Statements of Changes in Equity

For the year ended 31 March 2013

PARENT	Share Capital	Accum. Losses	Mandatory Notes Conversion Reserve	Convertible Preference Shares Conversion Reserve	Share Options Convers. Reserve	Total Equity
	$000's	$000's	$000's	$000's	$000's	$000's
Equity at 1 April 2011	**82,262**	**(58,290)**	**42,215**	**15,203**	**829**	**82,219**
Profit for the year	-	67	-	-	-	67
Movement in foreign currency translation reserve	-	-	-	-	-	-
Capitalisation of mandatory convertible note coupon accrual	-	(15,184)	15,184	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(5,352)	-	5,352	-	-
Share Options transfer from retained earnings	-	-	-	-	86	86
Equity at 1 April 2012	**82,262**	**(78,759)**	**57,399**	**20,555**	**915**	**82,372**
Loss for the year	-	(7)	-	-	-	(7)
Increase in Capital	2,640	-	-	-	-	2,640
Cancellation of shares	(428)	-	-	-	-	(428)
Loss on cancellation of shares	-	(201)	-	-	-	(201)
Capitalisation of mandatory convertible note coupon accrual	-	(17,529)	17,529	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(7,594)	-	7,594	-	-
Share Options transfer from retained earnings	-	-	-	-	320	320
Equity at 31 March 2013	**84,474**	**(104,090)**	**74,928**	**28,149**	**1,235**	**84,696**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Vitaco Health Group Limited

Cash Flow Statements

For the year ended 31 March 2013

	Notes	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		203,014	175,258	-	-
Payments to suppliers (inclusive of goods and services tax)		(159,579)	(124,378)	(116)	(150)
Payments to employees		(28,716)	(26,126)	-	-
Interest received		7	76	-	-
Exchange (gains		326	39	-	-
Interest paid		(8,048)	(9,614)	-	-
Tax payments		(1,748)	(93)	-	-
Net cash inflow/ (outflow) from operating activities	23	5,256	15,162	(116)	(150)
Cash flows from investing activities					
Payments for property, plant, equipment and shares	13	(7,318)	(995)	(2,250)	-
Payments for intangible assets	15	(40)	(523)	-	-
Sales of property, plant and equipment	13	-	18	-	-
Sale of intangible assets	15	4,000	-	-	-
Loans from related parties		50	61	(288)	61
Net cash (outflow)/ inflow from investing activities		(3,308)	(1,439)	(2,538)	61
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities	20	2,640	-	2,640	-
Proceeds from borrowings		6,995	-	-	-
Loan fee paid	7	(2,728)	-	-	-
Repayment of borrowings		(6,479)	(13,769)	-	-
Net cash inflow / (outflow) from financing activities		428	(13,769)	2,640	-
Net cash increase/ (decrease) in cash and cash equivalents		2,376	(46)	(14)	(89)
Opening cash held		1,290	1,336	(71)	18
Closing Cash		3,666	1,290	(85)	(71)
Made up of:					
Bank Overdraft	18	(257)	(1,277)	(85)	(71)
Cash on Hand	9	3,923	2,567	-	-
Cash and cash equivalents at year end		3,666	1,290	(85)	(71)

The above cash flow statements should be read in conjunction with the accompanying notes.

Vitaco Health Group Limited
Notes to the Financial Statements
For the year ended 31 March 2013

1. General information

Vitaco Health Group Limited ('the Company' or 'the Parent') and its subsidiaries (together 'the Group') manufacture, distribute and sell health food products and nutritional supplements. The Group has distribution centres in New Zealand and Australia. The Company's operations are in New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is corner Accent Drive and Kordel Place, East Tamaki, Auckland.

These financial statements have been approved for issue by the Board of Directors on 23 July 2013.

The Directors have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. There have been no changes in accounting policies. The financial statements include separate financial statements for the Group and Vitaco Health Group Limited as an individual entity.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable New Zealand Financial Reporting Standards. The group has early adopted External Reporting Board Standard A1 *'Accounting Standards Framework (For-profit Entities Update)'* ('XRB A1'). For the purposes of complying with NZ GAAP, the group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Entities reporting

The financial statements of the "Parent" are for Vitaco Health Group Limited as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising Vitaco Health Group Limited and its subsidiaries.

Statutory base

The Company is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in the specific accounting policies below. The Group has early adopted the Reduced Disclosure Regime applicable for Tier 2 entities. This has resulted in a reduction of disclosures for items such as financial instruments and share-based payments. The change in accounting policy only impacts presentation aspects.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)
Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

New and amended standards adopted by the group
The following new standards and amendments to standards relevant to the group have been adopted as of 1 April 2012 and have been applied in the preparation of these financial statements.

*External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) ('XRB A1') (effective for annual reporting periods beginning on or after 1 December 2012)*The Group has elected to early adopt XRB A1 that establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The group is eligible to and has elected to report in accordance with Tier 2 For-profit Accounting Standards (NZ IFRS RDR). In adopting NZ IFRS RDR, the group has taken advantage of a number of disclosure concessions. There were no other impacts on the current or prior year financial statements of transitioning to NZ IFRS RDR.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 March 2013 and the results of its subsidiaries for the year then ended.

Vitaco Health Group Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiaries acquired, the difference is recognised directly in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

(i) Subsidiaries

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Company and Group.

(ii) Associate

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in the associate includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of any post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand Dollars, which is the Company's functional currency and the Group's presentational currency. The Group's subsidiaries functional currencies are those of their primary economic environment.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(d) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced. The cash flow statement is presented inclusive of GST.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income

Interest income is recognised as earned.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

(f) Leases

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(j) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Any changes in the fair value of the derivative instrument is recognised immediately in the statement of comprehensive income.

(k) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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2. Summary of significant accounting policies (continued)

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group is the current bid price; and appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices, dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rates swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using the forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Inventories

Raw materials, work in progress, and finished goods
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(n) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Plant and machinery	3 - 20 years
- Leasehold improvements and office equipment	3 - 16 years
- Other	5 - 8 years

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2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(o) Intangible assets

Research and development
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which varies from 3 to 5 years.

Computer software
Computer software acquired and computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. **Summary of significant accounting policies** (continued)

(o) **Intangible assets** (continued)

Trademarks and licences
Acquired trademarks and licences are shown at historical cost. Trademarks have an indefinite useful life and are assessed for impairment on an annual basis. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark licences over their estimated useful lives.

(p) **Impairment of non financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. 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). Non financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

(q) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

(r) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability of at least 12 months after the balance date.

(s) **Borrowing costs**

Borrowing costs are expensed when incurred except for setup costs which are allocated using the effective interest rate method over the life of the loan.

(t) **Provisions**

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. Summary of significant accounting policies (continued)

(u) Employee benefits

Wages and 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 other payables in respect of employees' services up to the reporting date and 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 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments
The Company's parent has a share based remuneration scheme for executives. The costs associated with this scheme are re-charged from the parent company and recognised as an expense by the Company.

(v) Contributed equity

Ordinary shares are classified as equity.

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial period but not distributed at balance date. At 31 March 2013, no dividend had been declared (2012: none).

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Acquisitions
When acquiring a business, we have to make judgements and best estimates about the fair value allocation of the purchase price. We seek appropriate competent and professional advice before making any such allocations. We test the carrying amount of goodwill and other indefinite lived intangible assets on an annual basis and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. These tests require the use of estimates. See note 15.

(ii) Income taxes
Deferred tax assets and liabilities have been offset in accordance with NZ IAS 12 Income Taxes. Deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Group that will result in tax losses not being available to the Group in the future.

(iii) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.0.

(iv) Fair value of derivatives and other financial instruments
The fair value of financial instruments are estimated using discounted cash flows. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at balance date. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

Effective 1 April 2010, the Group adopted the amendment to NZ IFRS7 "Financial Instruments: Disclosure" for financial instruments that are measured in the Statement of Financial Position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

3. Critical accounting estimates and judgements (continued)

(iv) Fair value of derivatives and other financial instruments (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The Company and Group's derivative financial instruments are classified as Level 2 in the fair value hierarchy.

(v) Allowance for doubtful debts

Receivables are reduced by an allowance for amounts that may become uncollectible in the future. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. We have demonstrated the ability to make reasonable and reliable estimates of allowances for doubtful accounts based on significant historical experience.

(vi) Economic lives of other non-current intangible assets and property, plant and equipment

Other non-current intangible assets and property, plant and equipment are long-lived assets that are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. The values of property, plant, equipment and assets with indefinite lives are reviewed annually for impairment. Other non-current intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at the end of the first full year following acquisition.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Group under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Management has established a policy that requires group companies to manage their foreign exchange risk against their functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily to the Australian dollar and the US dollar. The Group's treasury risk management policy distinguishes between those cash flows that are contractually committed and those that are forecast. The Group uses derivative financial instruments such as foreign exchange contracts to manage its foreign exchange risk.

For forecast cashflows, expected payments and receipts in any given foreign currency are netted in each individual entity in order to determine the overall net foreign currency amount at risk to the NZ dollar equivalent. The following cover minimum and maximum ratios are then applied according to the expected cash flow date:

Cover Levels	Forecast 0 – 6 months	Forecast 7 – 12 months	Forecast 13 – 24 months	Forecast 25 – 36 months
At 31 March 2013	65 – 100%	65 – 100%	35 – 65%	0 – 35%
At 31 March 2012	65 – 100%	65 – 100%	35 – 65%	0 – 35%

For committed cashflows, forward foreign exchange contracts are used to manage foreign exchange risk arising from operating activities. For materiality purposes, net foreign currency exposures less than NZD$200,000 equivalent need not be hedged.

The Company and Group have certain investments in foreign operations (Australia), whose net assets are subject to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currency (Australian dollar).

The Company and Group have long term borrowings denominated in both New Zealand and Australian dollars. The Australian denominated debt amounts to approximately 51% of the total debt (2012:49%), when translated to NZD. This Australian dollar debt is not hedged, except to the extent that the net investment in the Australian subsidiaries may offset any changes in the NZD and AUD exchange rate, and consequently the Company and Group are exposed to currency fluctuations between the NZD and AUD.

4.1 Financial risk factors (continued)

(ii) Price Risk

The Group is not exposed to equity securities price risk or any significant commodity price risk.

(b) Cash flow and fair value interest rate risk

As the Company and Group have no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's and Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At 31 March 2013 72% of borrowings were at fixed rates (2012: 96%).

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The facilities agreements entered into by the Company with its debt providers, prescribes five operating and capital ratios to be achieved and measured on a quarterly basis, and the Group has covenanted not to breach these ratios. The Company actively measures and forecasts its performance against these ratios, which are described below.

1) Total Interest Cover Ratio – the ratio which EBITDA (earnings before interest, tax, depreciation and amortisation charges for the period) bears to total interest expense
2) Debt Service Coverage Ratio – the ratio which cash flow available to service debt (CFADS) bears to total debt service costs
3) Senior Debt Coverage Ratio – the ratio which senior debt bears to EBITDA
4) Total Debt Coverage Ratio – the ratio which total debt bears to EBITDA
5) Working Capital Ratio – the ratio which working capital bears to total invoiced sales of the Group.

	Notes	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's
5. Revenue					
Sales revenue		185,573	171,241	-	-
6. Other income					
Foreign exchange gains		326	35	-	-
Interest income - external		199	252	181	176
		525	287	181	176
7. Expenses					
Profit / loss before income tax includes the following specific expenses:					
Depreciation					
Leasehold improvements and office equipment		949	869	-	-
Plant and machinery		1,144	1,289	-	-
Other		16	29	-	-
Total depreciation		2,109	2,187	-	-
Amortisation					
Computer software	15	527	426	-	-
Restraint of trade payment	15	-	1,333	-	-
Trademark licence	15	1,387	1,385	-	-
Total amortisation		1,914	3,144	-	-
Rental expense relating to operating leases					
Minimum lease payments		3,108	2,808	-	-
Research & development costs		144	320	-	-
Decrease in provision for doubtful debts	10(a)	(24)	(79)	-	-
Bad debts written off directly to P&L		(22)	(2,003)	-	-
Employee benefits					
Wages and salaries		28,168	25,957	-	-
Restructure payments		548	-	-	-
Share based compensation		321	86	-	-
Total employee benefits		29,037	26,043	-	-

The cost of the employee share option benefit is on-charged by the Vitaco Health Group Limited parent who records the equity liability to the employing subsidiary.

7. Expenses (continued)

	Notes	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's
Finance Costs					
Interest and finance charges paid/payable		9,900	12,857	-	-
Bank Loan arrangement fees amortisation	19	1,037	1,307	-	-
Exchange gains on foreign currency borrowings		(993)	(3,798)	-	-
		9,944	10,366	-	-

8. Income tax expense

(a) Income tax expense

	Notes	Group 2013	Group 2012	Parent 2013	Parent 2012
Current tax		2,744	1,925	-	-
Deferred tax	14	(1,437)	(1,308)	-	-
Income tax expense		1,307	617	-	-
Income tax credit is attributable to:					
Profit from continuing operations		1,307	617	-	-
Deferred income revenue credit included in income tax benefit comprises:					
Increase in deferred tax assets	14	(1,437)	(1,308)	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Group 2013	Group 2012	Parent 2013	Parent 2012
Profit /(loss) from continuing operations before income tax expense	16,594	6,061	(7)	67
Tax at the New Zealand/Australian tax rate of 28%/ 30% (2012:30%)	4,818	1,826	(2)	19
Prior year adjustment	(82)	81	-	-
Tax loss offsets	(1,366)	398	2	(19)
Foreign tax credits written off	124	80	-	-
Non tax-deductible expenditure	(2,187)	(1,768)	-	-
Total income tax credit	1,307	617	-	-

	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's

9. Cash and cash equivalents

Bank balances	2,838	2,567	-	-
Deposits at call	1,085	-	-	-
	3,923	2,567	-	-

(a) Bank Balances

These balances are non-interest bearing and have a right of set off against other outstanding balances.

(b) Deposits at call

Deposits on call are available at immediate notice, and attract an interest rate at balance date of 3% (2012: 2%).

(c) Fair value and risk

– refer to note 32.

10. Trade and other receivables

Trade receivables	35,142	33,214	-	-
Provision for discounts	(2,610)	(2,416)	-	-
Provision for doubtful receivables	(99)	(125)	-	-
Net trade receivables	32,433	30,673	-	-
Receivables related party	7	1	-	-
Sundry prepayments	1,257	1,707	473	367
Total receivables	33,697	32,381	473	367

Further information on the amounts owing by related parties can be found in note 28.

(a) Bad and doubtful trade receivables

The Group has recovered $45,000 (2012: $77,000) of bad debts previously written off, released provisions of $24,000 (2012: $79,000) for doubtful debts and written off bad debts of $19,000 against last year's provision during the year ended 31 March 2013 (2012: $19,000).

Amounts included in trade receivables above which are not impaired but are overdue, and not provided for in doubtful debts, total $487,000 (2012: $1,540,000).

(b) Fair value and risk

– refer to note 32.

	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's

11. Inventories

Raw materials				
- at cost	14,593	12,653	-	-
- less provision for obsolescence	(1,190)	(1,142)	-	-
Net carrying value	13,403	11,511	-	-
Work in progress	349	580	-	-
Finished goods				
- at cost	20,960	19,850	-	-
- less provision for obsolescence	(626)	(435)	-	-
Net carrying value	20,334	19,415	-	-
Total inventory	34,086	31,506	-	-
Inventories recognised as an expense during the year	96,974	89,347	-	-
Write downs of inventories to net realisable value recognised as an expense during the year	1,371	806	-	-

Inventories serve as security under the Group's term loan security arrangements – refer note 19.

12. Derivatives

The Group has chosen not to adopt hedge accounting, however the Group utilises forward exchange contracts to economically hedge its exposure to receipts from Australian dollar sales, and purchases in Australian dollars, US Dollars, Great British Pounds and the Euro. The Company's and Group's exposure to floating interest rates may be hedged using interest rate swap transactions. The analysis below sets out the fair values of derivative financial instruments at 31 March recognised in the financial statements.

Current assets				
Forward foreign exchange contracts – held for trading	335	-	-	-
Total derivatives in current assets	335	-	-	-
Current liabilities				
Forward foreign exchange contracts – held for trading	37	308	-	-
Interest rate swap contracts	64	273	-	-
Total derivatives in current liabilities	101	581	-	-

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12. **Derivatives** (continued)

Details of forward exchange contracts (notional amounts and maturities) are provided below:

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Group 31 March 2013	Group 31 March 2012
	Buy New Zealand dollars		Average exchange rate	
Sell AUD dollars				
Maturity				
0 – 12 months	21,600	22,375	0.7939	0.7990
12-24 months	11,750	9,000	0.8035	0.7980
Gain from change in fair value:				
- Increase in fair value of derivative assets	574	2,194	-	-
Loss from change in fair value:				
- Decrease in fair value of derivative assets	-	-	-	-
Net gain / (loss) recognised in the statement of comprehensive income	574	2,194	-	-
	Buy US dollars		Average exchange rate	
Sell New Zealand dollars				
Maturity				
0 – 12 months	1,550	-	0.8325	-
Gain from change in fair value:				
- Increase in fair value of derivative assets	16	-		
Loss from change in fair value:				
- Decrease in fair value of derivative assets	-	-		
Net gain / (loss) recognised in the statement of comprehensive income	16	-		
	Buy US dollars		Average exchange rate	
Sell AUD dollars				
Maturity				
0 – 12 months	2,120	2,000	1.0155	0.9986
Gain from change in fair value:				
- Increase in fair value of derivative assets	-	512	-	-
Loss from change in fair value:				
- Decrease in fair value of derivative assets	(16)	-	-	-
Net gain / (loss) recognised in the statement of comprehensive income	(16)	512	-	-

13. Property, plant and equipment

2012 Group	Plant & Machinery $000's	Leasehold Improvements & Office Equipment $000's	Other $000's	Total $000's
Book value at start of period	8,795	5,838	110	14,743
Foreign exchange translation	(8)	(23)	(6)	(37)
Transfer	-	-	-	-
Additions	440	554	1	995
Disposals	-	-	(18)	(18)
Depreciation charge	(1,289)	(869)	(29)	(2,187)
Closing net book amount	7,938	5,500	58	13,496
At 31 March 2012				
Cost	14,702	7,580	293	22,575
Accumulated depreciation	(6,764)	(2,080)	(235)	(9,079)
Net book amount	7,938	5,500	58	13,496

2013 Group	Plant & Machinery $000's	Leasehold Improvements & Office Equipment $000's	Other $000's	Total $000's
Book value at start of period	7,938	5,500	58	13,496
Foreign exchange translation	(1)	(5)	-	(6)
Transfer	5	(14)	-	(9)
Additions	4,819	2,359	-	7,178
Disposals	-	-	(5)	(5)
Depreciation charge	(1,144)	(949)	(16)	(2,109)
Closing net book amount	11,617	6,891	37	18,545
At 31 March 2013				
Cost	19,535	9,957	246	29,738
Accumulated depreciation	(7,918)	(3,066)	(209)	(11,193)
Net book amount	11,617	6,891	37	18,545

All property, plant and equipment serves as security under the Group's term loan security arrangements – refer note 19. Other assets include motor vehicles under finance leases with a book value of $0 (2012: $14,719). Plant and machinery includes plant under finance leases with a book value of $2,012,729 (2012: $2,195,489). The parent company does not own any property, plant and equipment.

14. Deferred tax assets

The balance comprises temporary differences attributable to:	Notes	Group 2013 $000's	Group 2012 $000's	Parent 2013 $000's	Parent 2012 $000's
Amounts recognised in profit or loss					
Employee benefits		252	(109)	-	-
Group tax losses		1,080	3,012	-	-
Other		105	(1,595)	-	-
Net deferred tax movement		1,437	1,308	-	-
Movements :					
Opening balance 1 April		6,265	4,957	-	-
Credited to the income statement	8	1,437	1,308	-	-
Closing balance 31 March		7,702	6,265	-	-

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14. Deferred tax assets (continued)

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Expected settlement :				
Within 12 months	3,315	3,826	-	-
12 months or later	4,387	2,439	-	-

Included in the closing deferred tax balance are New Zealand tax losses with a tax effect of $24,900,000 (2012: $5,891,000). The crystallisation of the benefit from the tax losses ultimately depends on satisfying the relevant New Zealand and Australian legislative criteria for use of tax losses. It is expected that deferred tax losses will be offset against forecast future earnings.

Tax losses relating to the parent company Vitaco Health Group Limited of $40,817,000 (2012: $45,715,000) with a tax benefit of $11,428,760 (2012: $12,800,200) have not been recognised at 31 March as the realisation of the related tax benefit through future tax profits is not probable. All tax losses relating to subsidiaries of Vitaco Health Group Limited have been recognised.

15. Intangible assets

Computer software				
Opening net book amount	1,870	1,771	-	-
Transfers from fixed assets	9	-	-	-
Additions	198	525	-	-
Amortisation	(527)	(426)	-	-
Closing net book amount	1,550	1,870	-	-
Closing cost	4,173	3,966	-	-
Accumulated amortisation	(2,623)	(2,096)	-	-
Finite life intangibles				
Opening net book amount	6,764	9,483	-	-
Amortisation	(1,387)	(2,719)	-	-
Closing net book amount	5,377	6,764	-	-
Closing cost	21,806	21,806	-	-
Accumulated amortisation	(16,429)	(15,042)	-	-
Indefinite life trademarks				
Opening cost	71,071	71,071	-	-
Sale of brand	(4,000)	-	-	-
Closing net book amount	67,071	71,071	-	-
Goodwill				
Opening net book amount	32,736	32,736	-	-
Additions	-	-	-	-
Closing net book amount	32,736	32,736	-	-
Total Intangible Assets	106,734	112,441	-	-

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15. Intangible assets (continued)

The indefinite life trademarks relate to the ongoing trademarks of the business and are believed to have an indefinite life and as such are not subject to amortisation but are impairment tested each year.

(a) Impairment tests for goodwill and indefinite life intangible assets

Management has modeled the business cash flows on a discounted cashflow basis. Goodwill is assigned to a single cash generating unit comprising the entire business. The calculations use post-tax cash flow projections, discounted at a rate of 10% (2012: 11%), based on financial budgets covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below.

Management has forecast cash flows based on past performance of the business acquired and its expectation of market development. The long term growth rate applied of 3% (2012:3%) is consistent with the forecast used in the industry.

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
16. Trade and other payables				
Trade payables	16,029	20,729	43	46
Sundry accruals	9,391	5,665	-	-
	25,420	26,394	43	46
17. Provisions				
Current – employee benefits & premises reinstatement	1,827	1,601	-	-
Non-current – premises reinstatement costs	170	151	-	-
Total Provisions	1,997	1,752	-	-

The provision for employee benefits comprises entitlements to holiday pay and bonuses accrued.

Premises reinstatement costs are costs provided for making good leased premises at the end of the lease term.

17. Provisions (continued)

(a) Movements in provisions

Movements in each class of provision during the financial period are set out below:

	Premises reinstatement costs $000's	Employee benefits $000's	Total $000's
2012			
Current			
Carrying amount at start of period	15	1,518	1,533
Amounts incurred and charged	(15)	2,055	2,040
Amounts utilised	-	(1,972)	(1,972)
Carrying amount at end of period	-	1,601	1,601
Non – current			
Carrying amount at start of period	214	-	214
Amounts incurred and charged	79	-	79
Amount utilised	(142)	-	(142)
Carrying amount at end of period	151	-	151
Total	151	1,601	1,752
2013			
Current			
Carrying amount at start of period	-	1,601	1,601
Amounts incurred and charged	-	2,295	2,295
Amounts utilised	-	(2,069)	(2,069)
Carrying amount at end of period	-	1,827	1,827
Non – current			
Carrying amount at start of period	151	-	151
Amounts incurred and charged	19	-	19
Amount utilised	-	-	-
Carrying amount at end of period	170	-	170
Total	170	1,827	1,997

18. Borrowings - current portion

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Secured – interest bearing:				
Senior Debt	9,466	83,803	-	-
Subordinated debt	-	26,068	-	-
Commercial bills	-	635	-	-
Bank overdraft	257	1,277	85	71
Finance lease	243	360	-	-
	9,966	112,143	85	71

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18. Borrowings - current portion (continued)

Borrowings position at balance date:

The Company's funding arrangements with its Senior Lenders and Junior Lender are subject to financial covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company has met these key financial ratios throughout the years ended 31 March 2013 and 31 March 2012.

Maturity dates at balance date for the senior debt is 30 June 2015 and the subordinated debt is 31 December 2015.

Refinancing of borrowings during this financial year:

The Senior and Subordinated debt was refinanced on 12 July 2012. This extended the maturity of the borrowings to 30 June 2015 for the Senior facility and 31 December 2015 for the Mezzanine facility. Security was unchanged as part of the restructuring and the Group benefitted from $9,160,000 forgiveness of debt from the Junior Lender.

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 32.

(b) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 19.

19. Borrowings – non-current portion

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Secured – interest bearing:				
Senior Debt	76,424	-	-	-
Senior Debt	-	-	-	-
Subordinated debt	15,723	-	-	-
Finance lease	201	429	-	-
	92,348	429	-	-

(a) Total secured liabilities

Total secured liabilities (current and non-current) are as follows:

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Bank loan	101,613	110,506	-	-
Bank overdraft	257	1,277	85	71
Finance lease	444	789	-	-
	102,314	112,572	85	71

The total bank loans total of $101,612,000 (2012: $110,506,000) includes an offset for set up fees of $1,852,000 (2012: $436,000) which are amortised using the effective interest rate method over the life of the loan.

All bank facilities are secured by:

i) A cross guarantee and indemnity between Vitaco Health Limited, its parent Vitaco Health Group Limited, and all the subsidiaries of the Group.
ii) A composite general security agreement over all the assets and undertakings of Vitaco Health Group Limited and its subsidiary companies.
iii) Composite fixed and floating charge over all the assets and undertakings of Vitaco Health Group Limited and its subsidiary companies.

19. Borrowings – non-current portion (continued)

(b) Finance lease agreement

Commitments for minimum repayments in relation to finance lease agreements are payable as follows:

	Notes	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Within one period		276	421	-	-
Later than one period but not later than five periods		209	470	-	-
Minimum repayments		485	891	-	-
Future finance charges		41	102	-	-
Recognised as a liability		444	789	-	-
Representing finance lease liabilities					
Current	18	243	360	-	-
Non-current	19	201	429	-	-
		444	789	-	-

The finance lease agreements bear an effective rate of 10% (2012: 10%) per annum and are secured by a charge over specified fixed assets. The finance leases are repayable in monthly instalments of $33,451, reducing to $21,728 in May 2013 (2012: $40,764), and a final total payment at the end of the agreement of $78,000 (2012: $78,000).

(c) Financing arrangements

Access was available at balance date to the following lines of credit:

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Credit standby arrangements				
Total facilities				
Overdraft	2,102	1,475	500	500
Working Capital facility	10,000	9,500	535	9,500
	12,102	10,975	1,035	10,000
Used at balance date				
Overdraft	257	206	85	71
Working Capital facility	9,465	2,470	-	2,470
	9,722	2,676	85	2,541
Unused at balance date				
Overdraft	1,845	1,269	415	429
Working Capital facility	535	7,030	535	7,030
	2,380	8,299	950	7,459

The bank overdraft facilities may be drawn down at any time. The interest rate on the overdraft at 31 March 2013 was 6.85% (2012: 10.05%).

20. Contributed equity

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Share capital:				
Ordinary shares, fully paid (no par value)	313	305	313	305
Mandatory convertible notes	61,093	59,014	61,093	59,014
Convertible preference shares	23,068	22,943	23,068	22,943
Total contributed equity	84,474	82,262	84,474	82,262

(a) Ordinary shares

The Company issued $7,422 share capital comprising 9,278 new ordinary shares to existing shareholders on 29 June 2012.

The Company issued $516 share capital comprising 495 new ordinary shares to a management employee on the exercise of options and cancelled $1,587 share capital comprising 1,984 ordinary shares on 11 September 2012.

The Company issued $1,856 share capital comprising 1,577 new ordinary shares to a new management shareholder on 20 December 2012.

At 31 March 2013 there were 321,223 ordinary shares (2012: 311,857) on issue.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Mandatory Convertible Shares

The Company issued $1,580,670 notes comprising 1,975,838 mandatory convertible notes to existing shareholders on 29 June 2012 (2012: nil).

The Company issued $498,144 notes comprising 423,304 mandatory convertible notes to a new management shareholder on 20 December 2012.

At 31 March 2013 there 62,249,019 mandatory convertible notes on issue (2012: 59,849,877).

The notes are convertible into ordinary shares of the parent entity in the event of the parent encountering financial difficulties or immediately prior to any sale of the parent entity or immediately prior to any listing of the parent entity.

As issuer, the Company may elect to pay the annual interest accruing on the anniversary date of the issue in cash. Should the Company not elect to pay the interest in cash, the eventual conversion ratio of the notes into ordinary shares shall be adjusted to reflect an increase in the conversion ratio such that when added to the amount of any cash interest paid to the note holder since the issue date, produce a return of the issue price of the notes together with a 15% annual yield (compounding on an annual basis) from the issue date to the conversion date on the initial issue price of the notes.

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20. Contributed equity (continued)

(c) Convertible Preference Shares

The Company issued $411,649 share capital comprising 514,561 new convertible preference shares to existing shareholders on 29 June 2012. (2012: nil).

The Company issued $139,480 share capital comprising 132,838 new convertible preference shares to a management employee on the exercise of options, and cancelled $425,921 share capital comprising 532,401 convertible preference shares on 11 September 2012.

At 31 March 2013 there were 23,973,771 (2012: 23,858,773) cumulative preference shares on issue.

The shares are convertible into ordinary shares of the parent entity in the event of the parent encountering financial difficulties or immediately prior to any sale of the parent entity or immediately prior to any listing of the parent entity.

On the conversion date the Company shall declare a non-taxable bonus issue of a number of Convertible Preference Shares to each holder of the Convertible Preference Shares which when added to any dividends or distributions paid to the Convertible Preference Shareholder since the issue date, produce a 15% annual yield (compounding on an annual basis) from such issue date to the conversion date on the initial issue price of the Convertible Preference Shares.

21. Accumulated losses and reserves

Movements in accumulated losses and reserves were as follows:

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
(a) Reserves				
Foreign currency translation reserve				
Balance at start of period	(1,671)	(128)	-	-
Movement arising during the period	(702)	(1,543)	-	-
Balance 31 March	(2,373)	(1,671)	-	-
Mandatory notes conversion reserve				
Balance at start of period	57,399	42,215	57,399	42,215
Transfer from retained earnings	17,529	15,184	17,529	15,184
Balance 31 March	74,928	57,399	74,928	57,399
Convertible preference shares conversion reserve				
Balance at start of period	20,555	15,203	20,555	15,203
Transfer from retained earnings	7,594	5,352	7,594	5,352
Balance 31 March	28,149	20,555	28,149	20,555
Share options conversion reserve				
Balance at start of period	915	829	915	829
Transfer from retained earnings	320	86	320	86
Balance 31 March	1,235	915	1,235	915
Total Reserves	101,939	77,198	104,312	78,869

21. Accumulated losses and reserves

(b) Accumulated Losses

Movements in accumulated losses were as follows:

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Balance at start of period	(102,249)	(87,157)	(78,759)	(58,290)
Net profit / (loss) for the period	15,287	5,444	(7)	67
Loss on cancellation of shares	(201)	-	(201)	-
Capitalisation of mandatory convertible note coupon accrual	(17,529)	(15,184)	(17,529)	(15,184)
Capitalisation of convertible preference shares coupon accrual	(7,594)	(5,352)	(7,594)	(5,352)
Balance 31 March	(112,286)	(102,249)	(104,090)	(78,759)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2(c). The reserve is recognised in profit and loss when the net investment is disposed of.

22. Dividends Paid

No dividends were paid during the reporting period (2012: none).

23. Reconciliation of profit / (loss) after income tax to net cash inflow / (outflow) from operating activities

Profit / (loss) for the year	15,287	5,444	(7)	67
Non cash (income) /expenses	(3,240)	5,210	-	-
Net exchange differences unrealised	(1,596)	(3,674)	-	-
Decrease / (increase) in trade debtors	(1,316)	2,588	(106)	(181)
Decrease / (increase) in inventories	(2,580)	1,912	-	-
(Increase) / decrease in deferred tax asset	(1,437)	(1,308)	-	-
Increase in current income tax liability	867	1,753	-	-
Increase / (decrease) in trade creditors	(974)	3,232	(3)	(36)
Increase / (decrease) in other operating liabilities	245	5	-	-
Net Inflow/ (outflow) from operating activities	5,256	15,162	(116)	(150)

24. Contingencies

(a) Contingent liabilities

The Inland Revenue Department is currently reviewing the Company's claim for Mandatory Convertible Note interest deductions. No provision has been made by the Company in the financial statements in the event that the deductions are disallowed on the basis that the directors believe that it's treatment of the transactions is consistent with all relevant legislation and that no tax will become payable.

There are no other contingent liabilities (2012: None).

(b) Guarantees

One of the Company's subsidiaries has put in place a bank guarantee to a supplier for USD $660,000; NZD$788,813 (2012: USD $660,000; NZD$837,776). The Company's Australian subsidiaries have issued guarantees in favour of the landlords of AUD$185,542; NZ$231,234 (AUD$185,542; NZ$235,519).

In addition, the Company's New Zealand subsidiaries have issued cross guarantees in favour of the major lenders, refer to note 28 (e).

25. Commitments

(a) Capital commitments

The Group had $nil (2012: $nil) committed for capital expenditure at 31 March 2013.

(b) Lease commitments: Group as lessee

Operating leases

The Group leases its warehouse and offices under non-cancellable operating leases expiring within one to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases vehicles under non-cancellable operating leases of 1 - 4 years.

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows :				
Within one period	3,222	2,767	-	-
Later than one period but not later than five periods	9,912	8,537	-	-
Later than five periods	16,614	15,366	-	-
Total	29,748	26,670	-	-

26. Investment in Subsidiaries and Associate

	Group 31 March 2013 $000's	Group 31 March 2012 $000's	Parent 31 March 2013 $000's	Parent 31 March 2012 $000's
(a) Investment in Subsidiaries				
Opening balance	-	-	82,873	80,624
Additional share capital purchased	-	-	-	-
Total	-	-	82,873	80,624
(b) Investment in Associate				
Investment in associate	15	15	-	-

Name of company	Principal activity	Ownership interest 2013 %	Ownership interest 2012 %
Swan International Trading Company Ltd	Health food distribution	25%	25%

Swan International Trading Company Limited has a balance date of 31 March.

Movements in carrying amounts	Group and Parent 2013 $000's	Group and Parent 2012 $000's
Investment in Swan International Trading Company Limited	15	15
Share of profits after income tax (25%)	-	1
Carrying amount at the end of the financial year	15	16

Summarised financial information of associate

	Assets $000's	Liabilities $000's	Revenues $000's	Profit $000's
2013				
Swan International Trading Company Limited	272	260	768	(3)
2012				
Swan International Trading Company Limited	251	209	1,006	4

Vitaco Health Group Limited

Notes to the Financial Statements

For the year ended 31 March 2013

27. Related party transactions

(a) Parent entities

The parent company is Vitaco Health Group Limited which is incorporated in New Zealand and owns 100% of Vitaco Health Limited. All transactions with other group companies have been conducted at arms length under normal terms of trade.

Aside from items mentioned in paragraph 28(f), there are no known transactions or balances between the Company and the Directors.

(b) Transactions with related parties

The following transactions took place during the financial period.

	Year to 31 March 2013 $000's	Year to 31 March 2012 $000's
Purchases of goods		
Purchases of stock from commonly controlled entities		
Vitaco Health (NZ) Limited purchases from Vitaco Health Australia Pty Limited and Healtheries Brands Pty Limited	1,120	719
Vitaco Health Australia Pty Limited purchases from Vitaco Health (NZ) Limited	50,843	43,187
Loans to related parties		
Loans advanced from/ (repaid to) Vitaco Health Limited to:		
Health Foods International Limited	(4,001)	-
Vitaco Health (NZ) Limited	1,916	(2,888)
Vitaco Health Group Limited	(311)	(98)
Loans advanced from Healtheries of New Zealand Limited to:		
Vitaco Health (NZ) Limited	19	(12)
Loans advanced from/ (repaid to) Vitaco Health (NZ) Limited:		
Vitaco Health Group Limited	281	73
Vitaco Health Australia Pty Limited	(175)	(4,212)
Health Foods International Limited	(287)	(529)
Interest received from related parties		
Interest received by Vitaco Health Limited from:		
Vitaco Health (NZ) Limited	6,089	7,823
Interest received by / (paid to) Vitaco Health (NZ) Limited from:		
Vitaco Health Australia Pty Limited	8	(251)

27. Related party transactions (continued)

	Year to 31 March 2013 $000's	Year to 31 March 2012 $000's
Other transactions with related parties		
Commission paid by Vitaco Health (NZ) Limited to Vitaco Health Australia Pty Limited	7,767	6,935
Management fee paid by Vitaco Health Australia Pty Limited to Vitaco Health (NZ) Limited	1,004	1,214
Management share option		
Expense charged to subsidiaries by parent	321	86
Royalties paid to related parties		
Royalties paid by Vitaco Health Australia Pty Limited to Vitaco Health (NZ) Limited	769	766

(c) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Payable for the purchase of goods		
Vitaco Health (NZ) Limited payable to Vitaco Health Australia Pty Limited	78	-
Vitaco Health Australia Pty Limited payable to Vitaco Health (NZ) Limited	704	-
Loans to/(from) related parties		
Loan payable to Vitaco Health Limited by:		
Vitaco Health (NZ) Limited	63,428	67,601
Health Foods International Limited	24,993	28,994
Vitaco Health Group Limited	(1,467)	(1,156)
Loans payable to/(by) Healtheries of New Zealand Limited by:		
Health Foods International Limited	(279)	(279)
Vitaco Health (NZ) Limited	(4,613)	(4,632)
Loans payable to (by) Vitaco Health (NZ) Limited by:		
Vitaco Health Group Limited	1,531	1,250
Vitaco Health Australia Pty Limited	(3)	(186)
Health Foods International Limited	(3,304)	(3,017)
Healtheries Nutritional Products Limited	8,826	8,826
Receivable from related parties		
Loan by Vitaco Health Group Limited to Shareholders (refer note 28(g))	1,542	1,592

27. Related party transactions (continued)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts covered by provision.

(d) Terms and conditions

All related party trading transactions were made at arms length on normal commercial terms and conditions. Interest at a rate of 9.99% (2012: 9.99%) pa was charged on some of the intercompany loans. There are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable in cash.

(e) Guarantees

The following entities have provided cross guarantees under the loan agreements with Senior and Mezzanine Lenders:

Healtheries of New Zealand Limited
Vitaco Health (NZ) Limited
Health Foods International Limited
Nutrition Laboratories Limited
Kiwi Health Foods Limited
Nutra-life Health & Fitness(NZ) Limited
Healtheries Nutritional Products Limited
Healthy Life Limited
Health Brands New Zealand Limited
McFarlane Laboratories NZ Limited
Vitaco Health Australia Pty Limited
Healtheries Brands Pty Limited
Healtheries of Australia Pty Limited
Nutralife Health & Fitness Australia Pty Limited
Vitaco Health Limited

Details of these guarantees are disclosed in note 19.

(f) Other transactions involving related parties

Premises occupied by Vitaco Health (NZ) Limited in East Tamaki, Auckland are leased from The M L Thompson Family Trust, an entity associated with Michael Leith Thompson, a director of Vitaco Health Group Limited. The annual lease cost is $1,659,912.

(g) Key management and personnel compensation

i. Key management personnel compensation for the year ended 31 March 2013 is set out below. The key management personnel are all the Directors of the Company and the ten Executives (2012: ten) with the greatest authority for the strategic direction and management of the Company.

	Group Year to 31 March 2013 $000's	Group Year to 31 March 2012 $000's	Parent Year to 31 March 2013 $000's	Parent Year to 31 March 2012 $000's
Remuneration	3,290	2,774	-	-
Share-based compensation	321	86	-	-
Total	3,611	2,860	-	-

27. Related party transactions (continued)

(g) Key management and personnel compensation (continued)

ii. Other transactions with key management personnel

The ultimate shareholders, Next Capital (Services A) Pty Limited and Next Capital (Services B) Pty Limited, have provided loans to key management personnel to partly fund the purchase of shares in Vitaco Health Group Limited. The total value of these loans is principal of $2,148,857 (2012:$2,148,857) and accrued interest of $1,432,200 (2012:$ 1,117,012).

Vitaco Health Group Limited has provided loans to new investing key management personnel to partly fund the purchase of ordinary shares, convertible preference shares and mandatory convertible notes in Vitaco Health Group Limited. The total value of these loans is principal of $1,542,462 (2012: $1,592,488) and accrued interest of $451,556 (2012: $354,397).

For both loans above, interest is charged at 9.9% (2012:9.9%) and is payable on repayment of the loan. The security provided is all rights in the shares and notes held.

28. Executive Share Option Plan

The Company's parent has a share-based remuneration scheme for executives (including Directors) of the Company. In accordance with the provisions of the scheme, as approved by the shareholders, certain executives may be granted options to purchase parcels of ordinary shares (with stapled securities attached) at an exercise price of between $0.80 and $1.18per share. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The following share based payment arrangements were in existence during the period.

2013

Option Series	Number	Vesting Date	Grant Date	Expiry Date	Exercise Price $/share	Fair value at grant date $/share
Issued 29 Jan 2010	356,000	31 Jan 11 (1/3) 31 Jan 12 (1/3) 31 Jan 13 (1/3)	29 Jan 2012	29 Jan 2015	$1.00	$0.25
Issued 29 Jan 2010	400,000	31 Jan 11 (1/3) 31 Jan 12 (1/3) 31 Jan 13 (1/3)	29 Jan 2012	29 Jan 2015	$0.80	$0.32
Issued 1 Feb 2010	90,000	1 Mar 10 (1/3) 1 Mar 11 (1/3) 1 Mar 12 (1/3)	29 Jan 2012	29 Jan 2015	$1.00	$0.25
Issued 29 Jan 2010	50,000	1 Feb 09 (1/3) 1 Feb 10 (1/3) 1 Feb 11 (1/3)	29 Jan 2012	29 Jan 2015	$1.00	$0.25
Issued 17 Aug 2010	50,000	1 July 2013 (1/2) 1 July 2013 (1/2)	17 Aug 2012	17 Aug 2015	$1.00	$0.25
Issued 17 Aug 2012	50,000	1 July 2013 (1/2) 1 July 2013 (1/2)	17 Aug 2012	17 Aug 2015	$1.00	$0.25
Issued 1 Dec 2012	133,333	1 Dec 2012	1 Dec 2012	1 Dec 2015	$1.00	$0.39
Issued 30 Sept 2012	533,332	30 Sept 2012	30 Sept 2012	30 Sept 2012	$1.00	$0.39
Issued 18 Dec 2012	133,333	5 Sept 2013 (1/3) 5 Sept 2014 (1/3) 5 Sept 2015 (1/3)	18 Dec 2012	18 Dec 2015	$1.1768	$0.30

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28. Executive Share Option Plan (continued)

Inputs into the Black-Scholes model

Exercise price	$0.8 - $1.18
Expected volatility	20.88% - 32%
Option life	3 – 5 years
Dividend yield	0.0%
Risk-free interest rate	2.82% - 6.04%

2012

Option Series	Number	Vesting Date	Grant Date	Expiry Date	Exercise Price $/share	Fair value at grant date $/share
Issued 1 Dec 2006	799,999	1 Dec 07 (1/3) 1 Dec 08 (1/3) 1 Dec 09 (1/3)	1 Dec 2006	1 Dec 2012	$1.00	$0.28
Issued 31 Jan 2007	766,666	31 Jan 08 (1/3) 31 Jan 09 (1/3) 31 Jan 10 (1/3)	31 Jan 2007	31 Jan 2012	$1.00	$0.28
Issued 31 Aug 2007	1,082,666	31 Jan 08 (1/3) 31 Jan 09 (1/3) 31 Jan 10 (1/3)	31 Aug 2007	31 Jan 2012	$1.00	$0.24
Issued 29 July 2011	133,333	31 Jan 08 (1/3 31 Jan 09 (1/3) 31 Jan 10 (1/3)	29 July 2011	29 July 2014	$1.05	$0.23
Issued 29 Jan 2011	356,000	31 Jan 11 (1/3) 31 Jan 12 (1/3) 31 Jan 13 (1/3)	29 Jan 2011	29 Jan 2015	$1.00	$0.25
Issued 29 Jan 2011	400,000	31 Jan 11 (1/3) 31 Jan 12 (1/3) 31 Jan 13 (1/3)	29 Jan 2011	29 Jan 2015	$0.80	$0.32
Issued 29 Jan 2011	90,000	1 Mar 10 (1/3) 1 Mar 11 (1/3) 1 Mar 12 (1/3)	29 Jan 2011	29 Jan 2015	$1.00	$0.25
Issued 29 Jan 2011	50,000	1 Feb 09 (1/3) 1 Feb 10 (1/3) 1 Feb 11 (1/3)	29 Jan 2011	29 Jan 2015	$1.00	$0.25
Issued 17 Aug 2011	50,000	1 July 2012 (1/2) 1 July 2012 (1/2)	17 Aug 2011	17 Aug 2015	$1.00	$0.25
Issued 17 Aug 2011	50,000	1 July 2012 (1/2) 1 July 2012 (1/2)	17 Aug 2011	17 Aug 2015	$1.00	$0.25

Inputs into the Black-Scholes model

Exercise price	$0.8 - $1.05
Expected volatility	20.88% - 32%
Option life	4.5 – 5 years
Dividend yield	0.0%
Risk-free interest rate	5.74% - 6.04%

1,343,546 options vested during the financial period (2012: 277,000). 558,214 options were exercised during the financial period (2012: none).

29. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b) (i):

Name of entity	Country of incorporation	Class of shares	Equity holding 2013 %	Equity holding 2012 %
Vitaco Health Limited	New Zealand	Ordinary	100	100
Vitaco Health (NZ) Limited	New Zealand	Ordinary	100	100
Health Foods International Limited	New Zealand	Ordinary	100	100
Nutra-Life Health & Fitness Australia Pty Limited	Australia	Ordinary	100	100
Healtheries of New Zealand Limited	New Zealand	Ordinary	100	100
Nutrition Laboratories Limited	New Zealand	Ordinary	100	100
Nutra-Life Health & Fitness (NZ) Limited	New Zealand	Ordinary	100	100
Kiwi Health Foods Limited	New Zealand	Ordinary	100	100
Healtheries Nutritional Products Limited	New Zealand	Ordinary	100	100
Healthy Life Limited	New Zealand	Ordinary	100	100
Health Brands New Zealand Limited	New Zealand	Ordinary	100	100
McFarlane Laboratories New Zealand Limited	New Zealand	Ordinary	100	100
Vitaco Health Australia Pty Limited	Australia	Ordinary	100	100
Healtheries Brands Pty Limited	Australia	Ordinary	100	100
Healtheries of Australia Pty Limited	Australia	Ordinary	100	100

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30. Events occurring after the balance sheet date

There are no other events occurring after balance date to report.

31. Financial risk

Fair values	Group		Parent	
	Carrying Amount $000's	Fair Value $000's	Carrying Amount $000's	Fair Value $000's
2012				
Assets				
Trade and other receivables	32,381	32,381	367	367
Cash and cash equivalents	2,567	2,567	-	-
Related party loans	1,592	1,592	2,748	2,748
	36,540	36,540	3,115	3,115

All balances are current and expected to be fully realised.

Liabilities				
Trade and other payables	28,146	28,146	46	46
Borrowings	112,572	112,572	71	71
Related party loans	-	-	1,250	1,250
	140,718	140,718	1,367	1,367

All balances are expected to be settled at carrying values.

2013				
Assets				
Trade and other receivables	33,697	33,697	473	473
Cash and cash equivalents	3,923	3,923	-	-
Related party loans	1,542	1,542	3,009	3,009
	39,162	39,162	3,482	3,482

All balances are current and expected to be fully realised.

Liabilities				
Trade and other payables	28,040	28,040	43	43
Borrowings	102,314	102,314	85	85
Related party loans	-	-	1,531	1,531
	130,354	130,354	1,659	1,659

All balances are expected to be settled at carrying values.

31. Financial risk (continued)

Interest rate risk

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Group	Floating	Fixed interest rate			Non-
	interest	1 year	2 to 5	Beyond	Interest
2012	Rate	or less	years	5 years	Bearing
	$000's	$000's	$000's	$000's	$000's
Assets					
Trade and other receivables	-	-	-	-	32,381
Cash and cash equivalents	-	-	-	-	2,567
Related party loans	-	-	-	1,592	-
	-	-	-	1,592	34,948
Liabilities					
Trade and other payables	-	-	-	-	26,394
Bank loans	4,382	107,837	-	-	-
Finance lease liabilities	-	360	429	-	-
	4,382	108,197	429	-	26,394
Average interest rate	6.66%	11.26%	10.0%	9.9%	

Parent					
2012					
Assets					
Trade and other receivables	-	-	-	-	367
Related party loans	-	-	-	1,592	1,156
	-	-	-	1,592	1,523
Average interest rate				9.9%	
Liabilities					
Trade and other payables	-	-	-	-	46
Bank loans	71	-	-	-	-
Related party loans	-	-	-	-	1,250
	71	-	-	-	1,296
Average interest rate	6.66%				

31. Financial risk (continued)

Group 2013	Floating interest Rate $000's	Fixed interest rate 1 year or less $000's	2 to 5 years $000's	Beyond 5 years $000's	Non-Interest Bearing $000's
Assets					
Trade and other receivables	-	-	-	-	33,697
Cash and cash equivalents	-	-	-	-	3,923
Related party loans	-	-	-	1,542	-
	-	-	-	1,542	37,620
Liabilities					
Trade and other payables	-	-	-	-	25,420
Bank loans	29,291	6,000	68,430	-	-
Finance lease liabilities	-	243	201	-	-
	29,291	6,243	68,631	-	25,420
Average interest rate	6.5%	6.2%	8.1%		

Parent 2013					
Assets					
Trade and other receivables	-	-	-	-	473
Related party loans	-	-	-	1,542	1,467
	-	-	-	1,542	1,940
Average interest rate				9.9%	
Liabilities					
Trade and other payables	-	-	-	-	43
Bank loans	85	-	-	-	-
Related party loans	-	-	-	-	1,531
	85	-	-	-	1,574
Average interest rate	6.85%				

32. Financial instruments by category

Group – 2012	Loans and receivables at amortised cost $000's	Assets at fair value through the profit and loss $000's	Total $000's
Assets as per balance sheet			
Trade and other receivables	32,381	-	32,381
Cash and cash equivalents	2,567	-	2,567
	34,948	-	34,948

	Other financial liabilities at amortised cost $000's	Liabilities at fair value through the profit and loss $000's	Total $000's
Liabilities as per balance sheet			
Derivative financial instruments	-	581	581
Trade and other payables	28,146	-	28,146
Borrowings	112,572	-	112,572
	140,718	581	141,299

Group – 2013	Loans and receivables at amortised cost $000's	Assets at fair value through the profit and loss $000's	Total $000's
Assets as per balance sheet			
Derivative financial instruments	-	335	335
Trade and other receivables	33,697	-	33,697
Cash and cash equivalents	3,923	-	3,923
	37,620	335	37,955

	Other financial liabilities at amortised cost $000's	Liabilities at fair value through the profit and loss $000's	Total $000's
Liabilities as per balance sheet			
Derivative financial instruments	-	101	101
Trade and other payables	28,146	-	28,146
Borrowings	112,572	-	112,572
	140,718	101	140,819

Parent – 2012	Loans and receivables at amortised cost $000's	Assets at fair value through the profit and loss $000's	Total $000's
Assets as per balance sheet			
Trade and other receivables	367	-	367
Cash and cash equivalents	-	-	-
	367	-	367

32. Financial instruments by category
(continued)

	Other financial liabilities at amortised cost $000's	Liabilities at fair value through the profit and loss $000's	Total $000's
Liabilities as per balance sheet			
Trade and other payables	46	-	46
Borrowings	71	-	71
	117	-	117

Parent – 2013	Loans and receivables at amortised cost $000's	Assets at fair value through the profit and loss $000's	Total $000's
Assets as per balance sheet			
Trade and other receivables	473	-	473
Cash and cash equivalents	-	-	-
	473	-	473

Liabilities as per balance sheet	Other financial liabilities at amortised cost $000's	Liabilities at fair value through the profit and loss $000's	Total $000's
Trade and other payables	43	-	43
Borrowings	85	-	85
	128	-	128

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