Vitaco Health Group Limited

Financial Statements

For the year ended 31 March 2014

Vitaco Health Group Limited

Financial Statements

For the year ended 31 March 2014

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Vitaco Health Group Limited

Directors' Report

For the year ended 31 March 2014

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 2014.

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 52 for issue on 11 June 2014.

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 2014 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
11 June 2014	11 June 2014

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 52, which comprise the balance sheets as at 31 March 2014, the statements of comprehensive income, 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 2014 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 the 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 the 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 the Group.

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Independent Auditors' Report

Vitaco Health Group Limited

Opinion

In our opinion, the financial statements on pages 4 to 52:

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

(ii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2014, 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 2014:

(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 Auckland
11 June 2014

Vitaco Health Group Limited

Statements of Comprehensive Income

For the year ended 31 March 2014

	Notes	Group	Group	Parent	Parent
		Year to 31 March 2014 $000's	Year to 31 March 2013 $000's	Year to 31 March 2014 $000's	Year to 31 March 2013 $000's
Revenue	5	169,193	179,048	-	-
Other income	6	1,313	5,050	197	181
Inventories used	11	(83,225)	(96,975)	-	-
Employee benefits expense	7	(27,026)	(29,037)	-	-
Depreciation and amortisation expense	7	(4,393)	(4,023)	-	-
Interest rate swap fair value		(44)	209	-	-
Finance costs	7	(8,662)	(10,937)	-	-
Foreign exchange gain on borrowings		7,287	993	-	-
Other expenses		(34,915)	(36,894)	(2,078)	(188)
Total expenses		(150,978)	(176,664)	(2,078)	(188)
Debt forgiven	18	-	9,160	-	-
Profit/(loss) before income tax		19,528	16,594	(1,881)	(7)
Income tax (expense)/benefit	8	(5,622)	(1,307)	3,498	-
Profit/(loss) for the year		13,906	15,287	1,617	(7)
Profit/(loss) attributable to the shareholders of Vitaco Health Group Limited		13,906	15,287	1,617	(7)
Other comprehensive loss					
Movement in foreign currency translation reserve		(1,413)	(702)	-	-
Other comprehensive loss for the year, net of tax		(1,413)	(702)	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of Vitaco Health Group Limited		12,493	14,585	1,617	(7)

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 2014

	Notes	Group 2014 $000's	Group 2013 $000's	Parent 2014 $000's	Parent 2013 $000's
ASSETS					
Current assets					
Cash and cash equivalents	9	1,044	3,923	3	-
Trade and other receivables	10	31,862	33,697	707	473
Inventories	11	38,117	34,086	-	-
Total current assets		71,023	71,706	710	473
Non-current assets					
Property, plant and equipment	13	19,060	18,545	-	-
Derivative financial instruments	12	3,854	335	-	-
Deferred tax assets	14	4,496	7,702	3,498	-
Intangible assets	15	104,885	106,734	-	-
Loans to related parties	27	2,809	1,542	4,252	3,009
Investment in associate	26	15	15	-	-
Investments in subsidiaries	26	-	-	82,873	82,873
Total non-current assets		135,119	134,873	90,623	85,882
Total assets		206,142	206,579	91,333	86,355
LIABILITIES					
Current liabilities					
Trade and other payables	16	24,078	25,420	1,056	43
Current tax payable		836	2,620	-	-
Derivative financial instruments	12	2,719	101	-	-
Provisions	17	1,922	1,827	-	-
Borrowings	18	17,232	9,966	-	85
Total current liabilities		46,787	39,934	1,056	128
Non-current liabilities					
Borrowings	19	71,089	92,348	-	-
Provisions	17	180	170	-	-
Loans from related parties	27	-	-	2,498	1,531
Total non-current liabilities		71,269	92,518	2,498	1,531
Total liabilities		118,056	132,452	3,554	1,659
Net assets		88,086	74,127	87,779	84,696
EQUITY					
Contributed equity	20	85,874	84,474	85,874	84,474
Reserves	21	128,734	101,939	132,520	104,312
Accumulated losses	21	(126,522)	(112,286)	(130,615)	(104,090)
Total equity		88,086	74,127	87,779	84,696

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 2014

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 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 based compensation expensed	-	-	-	-	320	-	320
Equity at 1 April 2013	**84,474**	**(112,286)**	**74,928**	**28,149**	**1,235**	**(2,373)**	**74,127**
Profit for the year	-	13,906	-	-	-	-	13,906
Increase in Capital	1,400	-	-	-	-	-	1,400
Movement in foreign currency transl res	-	-	-	-	-	(1,413)	(1,413)
Capitalisation of mandatory convertible note coupon accrual	-	(20,228)	20,228	-	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(7,914)	-	7,914	-	-	-
Share based compensation expensed	-	-	-	-	66	-	66
Equity at 31 March 2014	**85,874**	**(126,522)**	**95,156**	**36,063**	**1,301**	**(3,786)**	**88,086**

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

Vitaco Health Group Limited

Statements of Changes in Equity

For the year ended 31 March 2014

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 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 based compensation expensed	-	-	-	-	320	320
Equity at 1 April 2013	**84,474**	**(104,090)**	**74,928**	**28,149**	**1,235**	**84,696**
Profit for the year	-	1,617	-	-	-	1,617
Increase in Capital	1,400	-	-	-	-	1,400
Capitalisation of mandatory convertible note coupon accrual	-	(20,228)	20,228	-	-	-
Capitalisation of convertible preference shares coupon accrual	-	(7,914)	-	7,914	-	-
Share based compensation expensed	-	-	-	-	66	66
Equity at 31 March 2014	**85,874**	**(130,615)**	**95,156**	**36,063**	**1,301**	**87,779**

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 2014

	Notes	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Cash flows from operating activities					
Receipts from customers (exclusive of goods and services tax)		197,750	203,014	-	-
Payments to suppliers (exclusive of goods and services tax)		(151,095)	(159,579)	(1,102)	(116)
Payments to employees		(26,899)	(28,716)	-	-
Interest received		42	7	-	-
Exchange (losses)/gains		(349)	326	-	-
Interest paid		(6,131)	(8,048)	-	-
Tax payments		(3,995)	(1,748)	-	-
Net cash inflow/(outflow) from operating activities	23	9,323	5,256	(1,102)	(116)
Cash flows from investing activities					
Payments for property, plant, equipment and shares	13	(2,873)	(7,318)	-	(2,250)
Payments for intangible assets	15	(233)	(40)	-	-
Sales of property, plant and equipment	13	21	-	-	-
Sale of intangible assets	15	-	4,000	-	-
Loans (to)/from related parties		(1,267)	50	(210)	(288)
Net cash outflow from investing activities		(4,352)	(3,308)	(210)	(2,538)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities	20	1,400	2,640	1,400	2,640
Proceeds from borrowings		1,092	6,995	-	-
Loan fee paid	7	-	(2,728)	-	-
Repayment of borrowings		(10,175)	(6,479)	-	-
Net cash (outflow)/inflow from financing activities		(7,683)	428	1,400	2,640
Net cash (decrease)/increase in cash and cash equivalents		(2,712)	2,376	88	(14)
Opening cash held		3,666	1,290	(85)	(71)
Closing Cash		954	3,666	3	(85)
Made up of:					
Bank Overdraft	18	(90)	(257)	-	(85)
Cash on Hand	9	1,044	3,923	3	-
Cash and cash equivalents at year end		954	3,666	3	(85)

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 2014

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 11 June 2014.

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 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 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

NZ IAS 1, (*amendment*), requires profit or loss and other comprehensive income (OCI) to be presented either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the previous requirements. However the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes have not affected the measurement of net profit or earnings per share; however they have changed the way items of OCI are presented.

NZ IFRS 10, *'Consolidated Financial Statements'*, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The application of this standard has had no material impact on the Group.

NZ IFRS 12, 'Disclosure of Interests in Other Entities', is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The application of this standard by the Group has had no material impact on the Group.

NZ IFRS 13, *'Fair Value Measurement'*, defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. NZ IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of NZ IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Group has complied with the requirements of NZ IFRS 13.

Revised NZ IAS 27, *'Separate Financial Statements'*, is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. The application of this standard by the Group has had no material impact on the Group.

New standards and interpretations not yet effective and not early adopted by the Group

NZ IFRS 9, *'Financial Instruments'* addresses the classification, measurement and recognition of financial assets and liabilities and requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The Group is yet to assess the impact of IFRS 9.

2. Summary of significant accounting policies (continued)

(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 2014 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.

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.

2. Summary of significant accounting policies (continued)

(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; the customer or their agent has accepted the products and collectibility of the related receivables is reasonably assured.

Sales of raw materials or semi processed materials to co-manufacturers at no margin are recorded in Other Income.

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 are 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.

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

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 asset's 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 2014, no dividend had been declared (31 March 2013: 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 period 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(o).

(iv) Fair value of derivatives and other financial instruments

The fair value of financial instruments is 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.

All of the Group's financial instruments held at fair value, including derivatives, have been measured at the fair value measurement hierarchy of Level 2, as all significant inputs required to ascertain the fair value are observable. Financial liabilities measured at amortised cost are fair valued using the contractual cashflows. The effects of discounting are generally insignificant as estimated future interest rates approximate discount rates.

(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 period 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 2014	65 – 100%	65 – 100%	0 – 65%	0 – 35%
At 31 March 2013	65 – 100%	65 – 100%	0 – 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 Group has 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 Group has long term borrowings denominated in both New Zealand and Australian dollars. The Australian denominated debt amounts to approximately 51% of the total debt (2013:49%), when translated to NZD. This Australian dollar debt is 90% (2013: 0%) hedged as outlined in note.

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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 2014 55% of borrowings were at fixed rates (31 March 2013: 72%).

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.

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	Notes	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
5. Revenue					
Sales revenue		169,193	179,048	-	-

Vitaco Health Australia Pty Limited's net revenue during the year was A$80.1m (2013: A$79.5m). This was converted into NZD at an average foreign exchange rate of 0.88 (2013: 0.79) and therefore the equivalent revenue in NZD is $91.0m (2013: $100.6m).

6. Other income

	Notes	Group 2014	Group 2013	Parent 2014	Parent 2013
Royalty income		-	197	-	-
Sale of raw materials		1,424	4,328	-	-
Foreign exchange (losses)/gains		(350)	326	-	-
Interest income - external		239	199	197	181
		1,313	5,050	197	181

7. Expenses

	Notes	Group 2014	Group 2013	Parent 2014	Parent 2013
Profit before income tax includes the following specific expenses:					
Depreciation					
Leasehold improvements and office equipment		825	949	-	-
Plant and machinery		1,467	1,144	-	-
Other		19	16	-	-
Total depreciation		2,311	2,109	-	-
Amortisation					
Computer software	15	560	527	-	-
Trademark licence/costs	15	1,522	1,387	-	-
Total amortisation		2,082	1,914	-	-
Rental expense relating to operating leases					
Minimum lease payments		3,347	3,108	-	-
Research & development costs		81	144	-	-
Decrease in provision for doubtful debts	10(a)	(13)	(24)	-	-
Bad debts written off directly to P&L		(33)	(22)	-	-
Employee benefits					
Wages and salaries		26,765	28,168	-	-
Restructure payments		196	548	-	-
Share based compensation		65	321	-	-
Total employee benefits		27,026	29,037	-	-

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 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Finance Costs					
Interest and finance charges paid/payable		7,692	9,900	-	-
Bank Loan arrangement fees amortisation	19	970	1,037	-	-
		8,662	10,937	-	-

8. Income tax expense

(a) Income tax expense

	Notes	Group 2014	Group 2013	Parent 2014	Parent 2013
Current tax		2,416	2,744	-	-
Deferred tax expense/ (credit)	14	3,206	(1,437)	(3,498)	-
Income tax expense/(benefit)		5,622	1,307	(3,498)	-
Income tax credit is attributable to:					
Profit /(loss) from continuing operations		5,622	1,307	(3,498)	-
Deferred income revenue credit included in income tax benefit comprises:					
Decrease/ (increase) in deferred tax assets	14	3,206	(1,437)	(3,498)	-

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

	Group 2014	Group 2013	Parent 2014	Parent 2013
Profit /(loss) from continuing operations before income tax expense	19,528	16,594	(1,881)	(7)
Tax at the New Zealand/Australian tax rate of 28%/ 30% (31 March 2013: 28%/30%)	5,631	4,818	(527)	(2)
Prior period adjustment	(102)	(82)	-	-
Tax loss offsets	(170)	(1,366)	(3,147)	2
Foreign tax credits written off	-	124	-	-
Non deductible expenses	263	-	176	-
Tax expenses claimable	-	(2,187)	-	-
Total income tax expense/ (credit)	5,622	1,307	(3,498)	-

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's

9. Cash and cash equivalents

	Group 2014 $000's	Group 2013 $000's	Parent 2014 $000's	Parent 2013 $000's
Bank balances	990	2,838	3	-
Deposits at call	54	1,085	-	-
	1,044	3,923	3	-

(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 4% (31 March 2013: 3%).

(c) Fair value and risk

– refer to note 31.

10. Trade and other receivables

	Group 2014 $000's	Group 2013 $000's	Parent 2014 $000's	Parent 2013 $000's
Trade receivables	35,065	35,142	-	-
Provision for discounts	(4,133)	(2,610)	-	-
Provision for doubtful receivables	(66)	(99)	-	-
Net trade receivables	30,866	32,433	-	-
Receivables related party	-	7	-	-
Sundry prepayments/interest accrual	996	1,257	707	473
Total receivables	31,862	33,697	707	473

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 $12,000 (31 March 2013: $45,000) of bad debts previously written off, released provisions of $13,000 (31 March 2013: $24,000) for doubtful debts and written off bad debts of $18,000 against last period's provision during the period ended 31 March 2014 (31 March 2013: $19,000).

Amounts included in trade receivables above which are not impaired but are overdue, and not provided for in doubtful debts, total $459,000 31 March 2013: $487,000).

(b) Fair value and risk

– refer to note 31.

11. Inventories

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Raw materials				
- at cost	14,311	14,593	-	-
- less provision for obsolescence	(824)	(1,190)	-	-
Net carrying value	13,487	13,403	-	-
Work in progress	777	349	-	-
Finished goods				
- at cost	24,145	20,960	-	-
- less provision for obsolescence	(292)	(626)	-	-
Net carrying value	23,853	20,334	-	-
Total inventory	38,117	34,086	-	-
Inventories recognised as an expense during the period	83,225	96,975	-	-
Write downs of inventories to net realisable value recognised as an expense during the period	966	1,371	-	-

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 net exposure to receipts from Australian dollar sales and purchases in US Dollars, as well as its exposure to the Australian dollar portion of the senior debt. The 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.

	Group 2014	Group 2013	Parent 2014	Parent 2013
Assets				
Forward foreign exchange contracts – held for trading	3,854	335	-	-
Total derivatives in assets	3,854	335	-	-
Liabilities				
Forward foreign exchange contracts – held for trading	207	37	-	-
Forward foreign exchange contracts – held for repayment of senior debt	2,404	-	-	-
Interest rate swap contracts	108	64	-	-
Total derivatives in liabilities	2,719	101	-	-

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12. Derivatives (continued)

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

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Group Year to 31 March 2014	Group Year to 31 March 2013
	Sell NZ dollars		Average exchange rate	
Buy AUD dollars				
0 – 12 months	-	-		
12-24 months	37,373	-	0.8629	
Gain from change in fair value:				
- Increase in fair value of derivative assets	-	-		
Loss from change in fair value:				
- Decrease in fair value of derivative assets	(2,404)	-		
Net loss recognised in the statement of comprehensive income	(2,404)	-		
Sell AUD dollars	Buy NZ dollars		Average exchange rate	
Maturity				
0 – 12 months	26,100	21,600	0.8237	0.7939
12-24 months	-	11,750		0.8035
Gain from change in fair value:				
- Increase in fair value of derivative assets	3,676	574		
Loss from change in fair value:				
- Decrease in fair value of derivative assets	-	-		
Net gain recognised in the statement of comprehensive income	3,676	574		
	Buy US dollars		Average exchange rate	
Sell New Zealand dollars				
Maturity				
0 – 12 months	1,249	1,550	0.7794	0.8325
Gain from change in fair value:				
- Increase in fair value of derivative assets	-	15		
Loss from change in fair value:				
- Decrease in fair value of derivative assets	(158)	-		
Net (loss)/ gain recognised in the statement of comprehensive income	(158)	15		

12. Derivatives (continued)

Sell AUD dollars	Buy US dollars		Average exchange rate	
Maturity 0 – 12 months	3,900	2,120	0.8676	1.0155
Loss from change in fair value: - Decrease in fair value of derivative assets	(187)	(16)	-	-
Net loss recognised in the statement of comprehensive income	(187)	(16)	-	-

13. Property, plant and equipment

31 March 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

31 March 2014 Group	Plant & Machinery $000's	Leasehold Improvements & Office Equipment $000's	Other $000's	Total $000's
Book value at start of period	11,617	6,891	37	18,545
Foreign exchange translation	(1)	(22)	(3)	(26)
Transfer	(19)	19	-	-
Additions	2,348	485	40	2,873
Disposals	(6)	(3)	(12)	(21)
Depreciation charge	(1,467)	(825)	(19)	(2,311)
Closing net book amount	12,472	6,545	43	19,060
At 31 March 2014				
Cost	21,742	9,836	144	31,722
Accumulated depreciation	(9,270)	(3,291)	(101)	(12,662)
Net book amount	12,472	6,545	43	19,060

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 $29,445 (31 March 2013: $0). Plant and machinery includes plant under finance leases with a book value of $3,465,767 (31 March 2013: $2,012,729). The parent company does not own any property, plant and equipment.

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14. Deferred tax assets

	Notes	Group Year to 31 March 2014	Group Year to 31 March 2013	Parent Year to 31 March 2014	Parent Year to 31 March 2013
The balance comprises temporary differences attributable to:		$000's	$000's	$000's	$000's
Amounts recognised in profit or loss					
Employee benefits		(291)	252	-	-
Group tax losses		(2,697)	1,080	3,498	-
Other		(218)	105	-	-
Net deferred tax movement		(3,206)	1,437	3,498	-
Movements :					
Opening balance 1 April		7,702	6,265	-	-
Credited to the income statement	8	(3,206)	1,437	3,498	-
Closing balance 31 March		4,496	7,702	3,498	-
Expected settlement :					
Within 12 months		3,838	3,315	2,840	-
12 months or later		658	4,387	658	-

Included in the closing deferred tax balance are New Zealand tax losses with a tax effect of $4,275,000 (31 March 2013: $6,972,000). 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 $nil (31 March 2013: $40,817,000) with a tax benefit of $nil (31 March 2013: $11,428,760) 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.

Subsequent to balance date on 2 April 2014, the Group entered into a settlement deed with the Inland Revenue in relation to the Group's Convertible Preference Shares (CPS's) and Mandatory Convertible Notes (MCN's). As part of the agreement the Group forfeited all tax losses generated from the MCN's of $29,896,523, which are not recognised in the deferred tax asset of the Group. The settlement deed includes a condition requiring the unwind of the MCN's and CPS's and specifies changes to the conversion features of these instruments.

Vitaco Health Group Limited

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For the year ended 31 March 2014

15. Intangible assets

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Computer software				
Opening net book amount	1,550	1,870	-	-
Transfers from fixed assets	-	9	-	-
Additions	233	198	-	-
Amortisation	(560)	(527)	-	-
Closing net book amount	1,223	1,550	-	-
Closing cost	3,635	4,173	-	-
Accumulated amortisation	(2,412)	(2,623)	-	-
Closing net book amount	1,223	1,550	-	-
Finite life intangibles				
Opening net book amount	5,377	6,764	-	-
Amortisation	(1,522)	(1,387)	-	-
Closing net book amount	3,855	5,377	-	-
Closing cost	21,806	21,806	-	-
Accumulated amortisation	(17,951)	(16,429)	-	-
Closing net book amount	3,855	5,377	-	-
Indefinite life trademarks				
Opening cost	67,071	71,071	-	-
Sale of brand	-	(4,000)	-	-
Closing net book amount	67,071	67,071	-	-
Goodwill				
Opening net book amount	32,736	32,736	-	-
Additions	-	-	-	-
Closing net book amount	32,736	32,736	-	-
Total Intangible Assets	104,885	106,734	-	-

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 period.

(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% (31 March 2013: 10%), 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% (31 March 2013: 3%) is consistent with the forecast used in the industry.

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
16. Trade and other payables				
Trade payables	18,503	16,029	1,056	43
Sundry accruals	5,575	9,391	-	-
	24,078	25,420	1,056	43
17. Provisions				
Current – employee benefits & premises reinstatement	1,922	1,827	-	-
Non-current – premises reinstatement costs	180	170	-	-
Total Provisions	2,102	1,997	-	-

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
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
2014			
Current			
Carrying amount at start of period	-	1,827	1,827
Amounts incurred and charged	-	2,127	2,127
Amounts utilised	-	(2,032)	(2,032)
Carrying amount at end of period	-	1,922	1,922
Non – current			
Carrying amount at start of period	170	-	170
Amounts incurred and charged	10	-	10
Amount utilised	-	-	-
Carrying amount at end of period	180	-	180
Total	180	1,922	2,102

18. Borrowings - current portion

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Secured – interest bearing:				
Senior Debt	16,874	9,466	-	-
Bank overdraft	90	257	-	85
Finance lease/ other finance company loans	268	243	-	-
	17,232	9,966	-	85

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 year ended 31 March 2014 and 31 March 2013.

Maturity dates at balance date for the senior debt is 30 June 2015.

Refinancing of borrowings during this financial period:

The Subordinated debt of $17,285,108 was repaid in full on 17 February 2014 and was refinanced by way of additional senior debt. Security was unchanged as part of the restructuring.

As part of refinancing performed during the year ended 31 March 2013, the Group benefitted from forgiveness of debt totalling $9,160,000 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 31.

(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 Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Secured – interest bearing:				
Senior Debt	70,111	76,424	-	-
Subordinated debt	-	15,723	-	-
Finance lease/ other finance company loans	978	201	-	-
	71,089	92,348	-	-

(a) Total secured liabilities

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

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Bank loan	86,985	101,613	-	-
Bank overdraft	90	257	-	85
Finance lease/ other finance company loans	1,246	444	-	-
	88,321	102,314	-	85

The total bank loans total of $86,985,000 (31 March 2013: $101,613,000) includes an offset for set up fees of $882,000 (31 March 2013: $1,852,000) 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 and other finance company loans

Commitments for minimum repayments in relation to finance lease/other finance company loans are payable as follows:

	Notes	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Within one period		293	276	-	-
Later than one period but not later than five periods		994	209	-	-
Minimum repayments		1,287	485	-	-
Future finance charges		41	41	-	-
Recognised as a liability		1,246	444	-	-
Representing finance lease/other finance company liabilities					
Current	18	268	243	-	-
Non-current	19	978	201	-	-
		1,246	444	-	-

The finance lease/other loan agreements bear an effective rate 8.8% (31 March 2013: 10%) per annum and are secured by a charge over specified fixed assets. The finance leases/other loan agreements are repayable in monthly instalments of between $40,000 and $60,000 per month (31 March 2013: $21,728), as well as final payments at the end of the two finance agreements of $92,948 (31 March 2013: $78,000).

(c) Financing arrangements

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

Credit standby arrangements				
Total facilities				
Overdraft	1,835	2,102	500	500
Working Capital facility	10,000	10,000	2,420	535
	11,835	12,102	2,920	1,035
Used at balance date				
Overdraft	90	257	-	85
Working Capital facility	7,580	9,465	-	-
	7,670	9,722	-	85
Unused at balance date				
Overdraft	1,745	1,845	500	415
Working Capital facility	2,420	535	2,420	535
	4,165	2,380	2,920	950

The bank overdraft facilities may be drawn down at any time. The interest rate on the overdraft at 31 March 2014 was 5.45% (31 March 2013: 6.85%).

20. Contributed equity

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Share capital:				
Ordinary shares, fully paid (no par value)	319	313	319	313
Mandatory convertible notes	61,093	61,093	61,093	61,093
Convertible preference shares	24,462	23,068	24,462	23,068
Total contributed equity	85,874	84,474	85,874	84,474

Total share capital issued during the year amounted to $1,400,000. Refer to each category below.

(a) Ordinary shares

The Company issued $5,197 share capital comprising 5,494 new ordinary shares to existing and new shareholders in November and December 2013.

At 31 March 2014 there were 326,717 ordinary shares (31 March 2013: 321,223) 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 Notes

At 31 March 2014 there were 62,249,019 Mandatory Convertible Notes on issue (31 March 2013: 62,249,019).

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.

Subsequent to year end, the Group has entered into a settlement agreement with the Inland Revenue Department which is conditional on the unwind of the Mandatory Convertible Notes and amendments to certain features of the instruments (refer to note 14).

20. Contributed equity (continued)

(c) Convertible Preference Shares

The Company issued $1,394,468 share capital comprising 1,474,171 new Convertible Preference Shares to existing and new shareholders in November and December 2013.

At 31 March 2014 there were 25,447,942 (31 March 2013: 23,973,771) 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.

Subsequent to year end, the Group has entered into a settlement agreement with the Inland Revenue Department which is conditional on the unwind of the Convertible Preference Shares and amendments to certain features of the instruments (refer to note 14).

21. Accumulated losses and reserves

Movements in accumulated losses and reserves were as follows:

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
(a) Reserves				
Foreign currency translation reserve				
Balance at start of year	(2,373)	(1,671)	-	-
Movement arising during the year	(1,413)	(702)	-	-
Balance 31 March	(3,786)	(2,373)	-	-
Mandatory notes conversion reserve				
Balance at start of year	74,928	57,399	74,928	57,399
Transfer from retained earnings	20,228	17,529	20,228	17,529
Balance 31 March	95,156	74,928	95,156	74,928
Convertible preference shares conversion reserve				
Balance at start of year	28,149	20,555	28,149	20,555
Transfer from retained earnings	7,914	7,594	7,914	7,594
Balance 31 March	36,063	28,149	36,063	28,149
Share options conversion reserve				
Balance at start of year	1,235	915	1,235	915
Transfer from retained earnings	66	320	66	320
Balance 31 March	1,301	1,235	1,301	1,235
Total Reserves	128,734	101,939	132,520	104,312

21. Accumulated losses and reserves (continued)

(b) Accumulated Losses

Movements in accumulated losses were as follows:

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Balance at start of year	(112,286)	(102,249)	(104,090)	(78,759)
Net profit for the year	13,906	15,287	1,617	(7)
Loss on cancellation of shares	-	(201)	-	(201)
Capitalisation of mandatory convertible note coupon accrual	(20,228)	(17,529)	(20,228)	(17,529)
Capitalisation of convertible preference shares coupon accrual	(7,914)	(7,594)	(7,914)	(7,594)
Balance 31 March	(126,522)	(112,286)	(130,615)	(104,090)

(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.

(ii) Mandatory notes conversion reserve
Mandatory convertible note coupon accruals are accumulated in this reserve.

(iii) Convertible preference shares conversion reserve
Convertible preference shares coupon accruals are accumulated in this reserve.

(iv) Share options conversion reserve
Share based compensation accruals are accumulated in this reserve.

22. Dividends Paid

No dividends were paid during the reporting period (31 March 2013: none).

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

	Group 2014	Group 2013	Parent 2014	Parent 2013
Profit / (loss) for the year	13,906	15,287	1,617	(7)
Non cash expenses/ (income)	5,642	(3,240)	-	-
Net exchange differences unrealised	(8,214)	(1,596)	-	-
Decrease/(increase) in trade debtors	1,835	(1,316)	(234)	(106)
Increase in inventories	(4,031)	(2,580)	-	-
Decrease/(increase) in deferred tax asset	3,206	(1,437)	(3,498)	-
(Decrease)/ increase in current income tax liability	(1,784)	867	-	-
(Decrease)/ increase in trade creditors	(1,342)	(974)	1,013	(3)
Increase in other operating liabilities	105	245	-	-
Net Inflow/ (outflow) from operating activities	9,323	5,256	(1,102)	(116)

24. Contingencies

(a) Contingent liabilities

In November 2013 the Group received a claim for A$3.4 million from the liquidators of a customer that went into receivership in November 2011. The claim relates to unfair preference payments received by the Group pursuant to section 588F of the Corporations Act 2001. The payments were made to the Group for goods sold in the ordinary course of business. The Directors of the Company have sought legal advice and consider that the liquidator's claim is without merit. Accordingly, it is considered unlikely that the Group will make any payment in settlement or satisfaction of the liquidator's claim and therefore no provision has been made in the financial statements of the Group.

There are no other contingent liabilities.

(b) Guarantees

One of the Company's subsidiaries has put in place a bank guarantee to a supplier for USD $660,000 NZD$760,806 (31 March 2013: USD $660,000; NZD$788,813). The Company's Australian subsidiaries have issued guarantees in favour of the landlords of AUD$185,542; NZ$198,292 (31 March 2013: AUD$185,542; NZ$231,234).

In addition, the Company's New Zealand subsidiaries have issued cross guarantees in favour of the major lenders, refer to note 27 (e).

25. Commitments

(a) Capital commitments

The Group had $230,000 (31 March 2013: $nil) committed for capital expenditure at 31 March 2014.

(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 Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows :				
Within one period	3,048	3,222	-	-
Later than one period but not later than five periods	9,183	9,912	-	-
Later than five periods	14,591	16,614	-	-
Total	26,822	29,748	-	-

26. Investment in Subsidiaries and Associate

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
(a) Investment in Subsidiaries				
Investment in Subsidiaries	-	-	82,873	82,873
(b) Investment in Associate				
Investment in Associate	15	15	-	-

Name of company	Principal activity	Ownership interest As at 31 March 2014	Ownership interest As at 31 March 2013
Swan International Trading Company Ltd	Health food distribution	25%	25%

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

	Group and Parent Year to 31 March 2014 $000's	Group and Parent Year to 31 March 2013 $000's
Movements in carrying amounts		
Investment in Swan International Trading Company Limited	15	15
Share of profits after income tax (25%)	-	-
Carrying amount at the end of the financial period	15	15

Summarised financial information of associate

	Assets $000's	Liabilities $000's	Revenues $000's	Profit $000's
31 March 2014				
Swan International Trading Company Limited	10	-	470	-
31 March 2013				
Swan International Trading Company Limited	272	260	768	(3)

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 2014 $000's	Year to 31 March 2013 $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	282	1,120
Vitaco Health Australia Pty Limited purchases from Vitaco Health (NZ) Limited	62,383	50,843
Loans to related parties		
Loans advanced from/ (repaid to) Vitaco Health Limited to:		
Health Foods International Limited	-	(4,001)
Vitaco Health (NZ) Limited	(14,991)	1,916
Vitaco Health Group Limited	24	(311)
Loans advanced from Healtheries of New Zealand Limited to:		
Vitaco Health (NZ) Limited	-	19
Loans advanced from/ (repaid to) Vitaco Health (NZ) Limited:		
Vitaco Health Group Limited	967	281
Vitaco Health Australia Pty Limited	(5,105)	(175)
Health Foods International Limited	-	(287)
Interest received from related parties		
Interest received by Vitaco Health Limited from:		
Vitaco Health (NZ) Limited	4,494	6,089
Interest received by Vitaco Health Australia Pty Limited from:		
Vitaco Health (NZ) Limited	224	8

27. Related party transactions (continued)

	Year to 31 March 2014 $000's	Year to 31 March 2013 $000's
Other transactions with related parties		
Commission paid by Vitaco Health (NZ) Limited to Vitaco Health Australia Pty Limited	7,003	7,767
Management fee paid by Vitaco Health Australia Pty Limited to Vitaco Health (NZ) Limited	660	1,004
Management share option		
Expense charged to subsidiaries by parent	65	321
Royalties paid to related parties		
Royalties paid by Vitaco Health Australia Pty Limited to Vitaco Health (NZ) Limited	542	769

(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	18	78
Vitaco Health Australia Pty Limited payable to Vitaco Health (NZ) Limited	8	704
Loans to/(from) related parties		
Loan payable to/ (by) Vitaco Health Limited by:		
Vitaco Health (NZ) Limited	52,931	63,428
Health Foods International Limited	24,993	24,993
Vitaco Health Group Limited	(1,443)	(1,467)
Loans payable by Healtheries of New Zealand Limited to:		
Health Foods International Limited	(279)	(279)
Vitaco Health (NZ) Limited	(4,613)	(4,613)
Loans payable to (by) Vitaco Health (NZ) Limited by:		
Vitaco Health Group Limited	2,498	1,531
Vitaco Health Australia Pty Limited	(5,332)	(3)
Health Foods International Limited	(3,304)	(3,304)
Healtheries Nutritional Products Limited	8,826	8,826
Receivable from related parties		
Loan by Vitaco Health Group Limited to Shareholders (refer note 27(g))	2,809	1,542

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.

27. Related party transactions (continued)

(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 7.93% (31 March 2013: 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 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 2014 is set out below. The key management personnel are all the Directors of the Company and the ten executives (31 March 2013: ten) with the greatest authority for the strategic direction and management of the Company.

	Group Year to 31 March 2014 $000's	Group Year to 31 March 2013 $000's	Parent Year to 31 March 2014 $000's	Parent Year to 31 March 2013 $000's
Remuneration	3,363	3,290	-	-
Share-based compensation	65	321	-	-
Total	3,428	3,611	-	-

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 $2,149,857 (31 March 2013:$2,148,857) and accrued interest of $1,794,597 (31 March 2013:$1,432,200).

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 (31 March 2013: $1,542,462) and accrued interest of $648,509 (31 March 2013: $451,556).

For both loans above, interest is charged at 9.9% (31 March 2013:9.9%) and is payable on repayment of the loan. The security provided is all rights in the shares and notes held.

In December 2013, Vitaco Health Group Limited has provided loans to fund the purchase of ordinary and convertible preference shares in Vitaco Health Group Limited. The total value of these loans is principal of $1,266,332. Interest is charged at 0%.

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 $1.18 per 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 at the end of the period.

31 March 2014

Option Series	Number	Vesting Date	Grant Date	Expiry Date	Exercise Price $/share	Fair value at grant date $/share
Issued 29 Jan 2010	133,000	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 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 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

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%

Vitaco Health Group Limited

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28. Executive Share Option Plan (continued)

31 March 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

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%

44,444 options vested during the financial period (31 March 2013: 1,343,546). 1,479,665 options were exercised during the financial period (31 March 2013: 558,214).

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 31 March 2014 %	Equity holding 31 March 2013 %
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

30. Events occurring after the balance sheet date

Other than disclosed in note 14, there are no events occurring after balance date to report (2013: None).

31. Financial risk

Fair values

	Group		Parent	
	Carrying Amount $000's	Fair Value $000's	Carrying Amount $000's	Fair Value $000's
31 March 2013				
Assets				
Trade and other receivables	33,697	33,697	473	473
Cash and cash equivalents	3,923	3,923	-	-
Derivatives	335	335	-	-
Related party loans	1,542	1,542	3,009	3,009
	39,497	39,497	3,482	3,482

All balances are current and expected to be fully realised.

Liabilities				
Trade and other payables	25,420	25,420	43	43
Borrowings	102,314	102,314	85	85
Derivatives	101	101	-	-
Related party loans	-	-	1,531	1,531
	127,835	127,835	1,659	1,659

All balances are expected to be settled at carrying values.

31 March 2014

Assets				
Trade and other receivables	31,862	31,862	707	707
Cash and cash equivalents	1,044	1,044	3	3
Derivatives	3,854	3,854	-	-
Related party loans	2,809	2,809	4,252	4,252
	39,569	39,569	4,962	4,962

All balances are current and expected to be fully realised.

Liabilities				
Trade and other payables	24,078	24,078	1,056	1,056
Borrowings	88,321	88,321	-	-
Derivatives	2,719	2,719	-	-
Related party loans	-	-	2,498	2,498
	115,118	115,118	3,554	3,554

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-
31 March 2013	interest Rate $000's	1 year or less $000's	2 to 5 years $000's	Beyond 5 years $000's	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 Company liabilities	-	243	201	-	-
	29,291	6,243	68,631	-	25,420
Average interest rate	6.5%	6.2%	8.1%	-	-

Parent 31 March 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%	-	-	-	-

Vitaco Health Group Limited

Notes to the Financial Statements

For the year ended 31 March 2014

31. Financial risk (continued)

Group

31 March 2014

	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	-	-	-	-	31,862
Cash and cash equivalents	-	-	-	-	1,044
Related party loans	-	-	-	1,542	1,267
	-	-	-	1,542	34,173
	-	-	-	9.9%	-
Liabilities					
Trade and other payables	-	-	-	-	24,078
Bank loans	38,594	7,500	40,981	-	-
Finance Company liabilities	804	268	174	-	-
	39,398	7,768	41,155	-	24,078
Average interest rate	5.7%	5.9%	5.9%	-	-

Parent

31 March 2014

	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	-	-	-	-	707
Related party loans	-	-	-	1,542	2,710
	-	-	-	1,542	3,417
Average interest rate	-	-	-	9.9%	-
Liabilities					
Trade and other payables	-	-	-	-	1,056
Bank loans	-	-	-	-	-
Related party loans	-	-	-	-	2,498
	-	-	-	-	3,554
Average interest rate	-	-	-	-	-

32. Financial instruments by category

Group – 31 March 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	27,417	-	27,417
Borrowings	102,314	-	102,314
	129,731	101	129,832

Group – 31 March 2014	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	-	3,854	3,854
Trade and other receivables	31,862	-	31,862
Cash and cash equivalents	1,044	-	1,044
	32,906	3,854	36,760

	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	-	2,719	2,719
Trade and other payables	26,180	-	26,180
Borrowings	88,321	-	88,321
	114,501	2,719	117,220

32. Financial instruments by category (continued)

Parent – 31 March 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

	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	43	-	43
Borrowings	85	-	85
	128	-	128

Parent – 31 March 2014	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	707	-	707
Cash and cash equivalents	3	-	3
	710	-	710

	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	1,056	-	1,056
Borrowings	-	-	-
	1,056	-	1,056