

HALF YEAR PROFIT ANNOUNCEMENT

Healthy first half profit result

SYDNEY, February 26, 2010 - Healthzone Limited (ASX code: HZL), a leading distributor, franchise retailer and producer of health, beauty and natural food products today announced 9.2% growth in half-year net profit after tax with 6.4% growth in revenues on the previous corresponding period.

Summary financial results for the 6 month period to 31 December 2009 (H1 FY10) are tabled below.

Summary Financial Performance Year to 31 December	H1 10 \$ Million	H1 09 \$ Million	Growth %
Revenue	56.80	53.37	6.4%
EBITDA	3.95	3.25	21.5%
EBIT	3.77	3.16	19.3%
Profit Before Tax	2.39	2.02	18.3%
Net Profit After Tax	2.01	1.84	9.2%

Healthzone has achieved a number of significant milestones in the first half of FY10 and have reported record revenues and realised solid growth, in excess of health sector average growth for the period from both existing and new customers and accelerated expansion of high margin product development. A broad and immediate presence has been established in the health food channel with now over 500 Healthzone proprietary branded products supported by the new national sales and marketing team with a focus on expanding further into the pharmacy channel with both channel specific branded proprietary products and through brand acquisition in the second half FY10.

Executive Chairman of Healthzone Mr Peter Roach said, "The first half results are very encouraging and Healthzone has delivered on initiatives, realized strong financial results, implemented several new long-term growth strategies and demonstrated an ability to be resilient in a difficult and challenging economic environment. Our team have established new strategies and controls designed to yield continued operational improvements. The recent capital raising from existing Australian shareholders and strategic international financial investors is seen as an endorsement of the Healthzone strategy."

Key Highlights for Half Year to 31 December 2009

- Record profit with 21.5% growth in EBITDA to \$3.95 million and 9.2% growth in profit after tax to \$2.01 million attributable to shareholders.
- Growth in revenues by 6.4% to \$56.80 million.
- Growth in net assets by \$2.39 million.
- Healthy Life franchise year-on-year revenue growth of 10.8% to \$53.8 million and recognition by *BRW* magazine in the Fast Franchise 2010 list.
- Expanded Healthy Life Customer Loyalty Club membership to more than 470,000 registered members and increasing by 8,000 members per month.
- Completed the integration of Company owned Healthzone branded stores into the Healthy Life retail & marketing model for continued growth, improved profit and synergy benefits.



- Implementation of the new PRONTO-Xi Phase 6 Enterprise Resource Planning computer software system bringing all of Healthzone's customers, both wholesale and retail to the forefront of the latest technology providing innovative features to improve business performance and efficiencies across all business units.
- Continued improvements of operating efficiencies with the closure of the Victorian distribution centre to enable cost savings and reinvestment of capital for enterprise growth. One-off closure expenses of \$400,000 in H1 FY10 will add significantly to H2 FY10 and full year FY11 profits.
- Growth of the Company's proprietary products range to more than 500 products including vitamin supplements, natural skin and body care, gluten free, organic and natural foods, beverages and natural cleaning products. Providing high margins, channel loyalty and strategic advantages to Healthzone.
- Acquisition of the HL Vitamin brand of more than 65 SKU's for sale exclusively through the Healthy Life retail stores, utilising Healthzone's marketing and data leverage and new product development business unit to enhance brand revenue, gross profit and asset value.
- Continued expansion of the "Bod" premium skincare range with the launch of 17 new SKU's in the new "BOD Ecology" range supporting expanded local and international sales and distribution.

Outlook

Healthzone continues to focus on enhancing competitive advantages and shareholder returns to 30 June 2010. The new capital raise as endorsed by shareholders positions Healthzone to aggressively grow its higher margin proprietary brands offering through further new product development and provides the ability for Healthzone to acquire strategic established brands. Healthzone as both a distributor and retailer has again been impacted in H1 FY10 by supplier out of stocks in the order of \$5.6 million in lost revenue. Proprietary brand development and brand acquisition reduces the impact of the supplier out of stocks on Healthzone's supply and retail revenues and remains the primary growth strategy for Healthzone moving forward. Mr Roach said, "In support of Healthzone's key growth strategies the company is in advanced stages of assessment of potential business acquisitions with some exciting and accretive acquisition announcements imminent during the second half of FY10 "

Healthzone will continue to provide solid growth in excess of the \$2.1 billion wellness sector in Australia growing at 6% per annum. Healthzone will increase its market share through the implementation of quality systems and a broader product selection, with the launch of a further 270 proprietary products, the acquisition of established brands and the expansion of its existing distribution internationally in 2010. Through these efforts, Healthzone will broaden the geographic penetration into markets much larger than Australia such as China and North America, expand the customer base, enhance and diversify product ranging and increase market share in the lucrative international wellness sector.



Healthzone's growth will be further supported by Healthy Life expansion both locally and in China to 200 stores over the next 3 years. The Healthy Life China master franchise has now expanded to include exclusive distribution rights for Healthy Life branded products in China and the conversion of up to 30 higher revenue Aurinda vitamin locations to Healthy Life branding for an additional consideration of \$1.4 million revenue included in H1 FY10 period. The China retail strategy will not only provide for Healthzone retail growth but now provide a solid platform for Healthzone branded product growth in the \$24 billion China wellness market growing at 17% per annum.

As a result of these activities Healthzone are well positioned for continued success in the balance of fiscal 2010 and beyond.

CONTACT DETAILS;

Healthzone Limited
Peter Roach MAICD
Executive Chairman
Tel: (02) 9772 7100

Healthzone Limited
Michael Jenkins, B.Com, CA, LLB,
Company Secretary
Tel: (02) 9772 7102

BACKGROUND NOTES;

Healthzone Limited operates a portfolio of distribution, consumer product and retail businesses in the Wellness sector. Each business provides immediate opportunities for earnings growth through business development and integration. www.healthzone.com.au

Healthzone's businesses are comprised of three principal activities;

Health and Beauty Distribution

- Healthzone Solutions, Australia's largest national health food distributor, with three warehouse facilities in Sydney, Brisbane and Perth. www.healthzone.com.au/Solution/Home.asp
- Jasham International, Australia's largest parallel market beauty and fragrance product distributor to more than 3,300 pharmacies and department stores in Australia. www.jasham.com.au
- Healthzone International distribution through more than 1,600 outlets in China.
- North America, Europe and Asia distribution.

Health and Beauty Products

- More than 300 "Healthy Life" products including health foods and beverages which are sold exclusively through Healthy Life stores in Australia with exclusive distribution agreements in place in China.
- More than 65 "HL" vitamin and supplement products which are sold exclusively through Healthy Life stores in Australia with exclusive distribution agreements in place in China. www.healthylife.net.au
- More than 120 "Natural Alternative" products, including food, household and cleaning products. www.naturalalternative.com.au
- The 'Bod' products are natural beauty products made in Australia. The new Bod Ecology range has just been launched in February 2010. These products are sold in Japan, Hong Kong, Taiwan, Korea, Canada, Europe and New Zealand. These products will be the target of further development of the significant export market potential. The Bod products range is also actively marketed through Healthzone franchise banner stores in Australia. www.bod.com.au
- The company produces a range of more than 45 supplement and vitamin products under its "Aurinda" brand, which are manufactured in Australia for export sale.
- The Company plans to acquire or develop its portfolio of Wellness products and is exploring opportunities to expand distribution of these products in Australian and international Wellness markets.

Health Retail

- Healthzone is the master franchisor of more than 130 health food retail stores www.healthylife.net.au
- The Company has eight stores owned outright
- Healthzone has more than 470,000 registered loyalty club members.
- Healthzone's Healthy Life News magazine has a circulation of more than 6 million copies per annum.

Appendix 4D

Half year report
Half-Year ended 31 December 2009

Introduced 1/1/2003

Name of entity

HEALTHZONE LIMITED

ABN or equivalent company
reference

79118715772

1 Half year ended (current period) Half year ended ('previous corresponding period')

31 DECEMBER 2009 31 DECEMBER 2008

2 Results for announcement to the market

Dec 2009 \$A'000

2.1	Revenue	Up	6.4%	56,802
2.2	Profit after tax attributable to members	Up	9.2%	2,005
2.3	Profit for the period attributable to members	Up	9.2%	2,005
Dividends (distributions)		Amount per security		Franked amount per security
2.4	Final dividend (<i>Preliminary final report only</i>)	N/A¢		N/A¢
2.4	Interim dividend (<i>Half yearly report only</i>)	N/A¢		N/A¢
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.			
See Chairman's review of operations and interim financial report – 31 December 2009				

3. NTA backing		Current period	Previous corresponding Period
	Net tangible assets per security	-\$0.09	-\$0.18

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of gain of control	N/A	
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A	
4.4	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A	

Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A	
4.2	Date of loss of control	N/A	
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A	
4.4	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A	

5. Dividends / Distributions

Date the dividend (distribution) is payable	N/A
Amount per security of foreign source dividend	N/A

Total Dividends /Distributions

Ordinary securities

\$ N/A

Preference securities

\$ N/A

6.. Dividend or distribution investment plans in operation:	
N/A	
The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans	N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture:	Wild Food Natural Health Market Pty Limited		
Holding in entity	20 %		
Group's share of associates' and joint venture entities':		Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) before tax		10	10
Income tax		-	-
Profit (loss) from after tax		10	10
Extraordinary items net of tax		-	-
Net profit (loss)		10	10
Adjustments		-	-
Share of net profit (loss) of associates and joint venture entities		10	10

8. Foreign Entities

Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	IFRS
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9. All Entities

A description of Accounts subject to audit dispute or qualification:
N/A

10. Review Status

This report is based upon the attached financial report which has been reviewed..

HEALTHZONE LIMITED

ACN 118 715 772

HALF- YEAR REPORT 31 DECEMBER 2009

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HEALTHZONE LIMITED

DIRECTORS' REPORT

31 DECEMBER 2009

Your Directors present this report on the Company consisting of Healthzone Limited and the entities it controlled for the half-year ended 31 December 2009.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

Peter Roach (Executive Chairman)
Michael Wu
Michael Jenkins (Appointed 27 August 2009)
Terry Cuthbertson (Resigned 27 August 2009)

Principal Activities

Healthzone is a distributor, producer and retailer of health and beauty products. The Company's operations include a national health food distribution business, a national network of more than 130 health food retail stores, the Healthy Life range of more than 300 health food products, company owned retail stores, the Aurinda Natural Foods range of health food products and the Bod range of skin care and beauty products.

Dividends

The Directors of the Company recommend that profits for the period be reinvested for enterprise growth with no dividend to be paid in respect of the half-year ended 31 December 2009.

Review of Operations

Earnings before finance charges, tax, depreciation and amortisation was \$3.9 million for the half-year ended 31 December 2009 (2008 - \$3.3 million). The net result for the Company for the half-year ended 31 December 2009 was a net profit after tax of \$2.0 million (2008 - \$1.8 million) after income tax expense of \$382 thousand (2008 - \$172 thousand). Information on the operations of the Group are further detailed in the attached commentary.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the half-year.

Matters Subsequent to the End of the Half Year

No matter or circumstance has arisen since 31 December 2009 that has significantly affected or may significantly affect the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years, other than the issue in January 2010 of 7,333,333 fully paid ordinary shares to provide funds for development of proprietary health products, brand and business acquisitions and working capital. A general meeting of shareholders on 25 February 2010 approved the issue of up to 30,000,000 fully paid ordinary shares at \$0.30 with one warrant attached to every three shares to each to acquire one additional share for \$0.38.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306 (3) of the Corporations Act 2001.



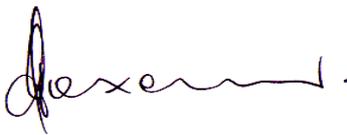
Peter Roach
Healthzone Limited
Executive Chairman
Dated at Sydney this 1st day of March 2010

AUDITOR'S INDEPENDENCE DECLARATION – HALF YEAR FINANCIAL REPORT

As lead auditor for the review of Healthzone Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Healthzone Limited and the entities it controlled during the half-year.



Grant Saxon
Partner

Sydney, 1 March 2010

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healthzone limited

ACN 118 715 772

316 Horsley Road
Milperra NSW 2214

HEALTHZONE LIMITED

ACN 118 715 772

INTERIM FINANCIAL REPORT 31 DECEMBER 2009

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This interim financial report covers the consolidated results of Healthzone Limited and its controlled entities. The interim financial report is presented in Australian currency.

Healthzone Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Healthzone Limited
316 Horsley Road
Milperra NSW 2214

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half –Year to 31 December	
		2009 \$'000	2008 \$'000
Revenue from Continuing Operations	2	56,802	53,365
Raw Materials and Consumables Used		(43,882)	(41,695)
Employee Benefits Expense		(5,053)	(4,307)
Depreciation and Amortisation Expense		(183)	(90)
Distribution Expenses		(1,078)	(931)
Professional and Consulting Expenses		(280)	(313)
Operating Lease Rental Expenses		(1,345)	(1,485)
Travel Expenses		(141)	(168)
Interest and Bank Charge Expenses		(1,380)	(1,228)
Other Expenses		(1,083)	(1,143)
Share of Net Profits of Associates Accounted for Using the Equity Method		10	10
Net Profit Before Income Tax		2,387	2,015
Income Tax Expense		(382)	(172)
Net Profit for the Period		2,005	1,843
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share		4.2 cents	4.5 cents
Diluted earnings per share		4.1 cents	4.5 cents

The Condensed Consolidated Income Statement of Financial Position is to be read in conjunction with the attached Notes on pages 10 to 16

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half –Year to 31 December	
		2009 \$'000	2008 \$'000
Net Profit for the Period		<u>2,005</u>	<u>1,843</u>
Other Comprehensive Income			
Foreign Currency Translation		<u>(219)</u>	<u>308</u>
Other Comprehensive Income for the Period, Net of Tax		<u>(219)</u>	<u>308</u>
Total Comprehensive Income for the Period		<u><u>1,786</u></u>	<u><u>1,843</u></u>

The Condensed Consolidated Statement of Comprehensive Income of Financial Position is to be read in conjunction with the attached Notes on pages 10 to 16

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2009

		Consolidated	
		31 December	30 June
		2009	2009
		\$'000	\$'000
		Note	
ASSETS			
Current Assets			
Cash and Cash Equivalents		1,352	2,420
Trade and Other Receivables	9	25,317	23,352
Inventories		6,110	6,530
Total Current Assets		32,779	32,302
Non-Current Assets			
Other Receivables	9	3,000	3,000
Investments Accounted for Using the Equity Method		650	640
Property, Plant and Equipment		621	693
Deferred Tax Assets		1,776	2,115
Intangible Assets	10	26,558	25,900
Other Financial Assets		76	76
Total Non-Current Assets		32,681	32,424
Total Assets		65,460	64,726
LIABILITIES			
Current Liabilities			
Trade and Other Payables	11	24,669	26,136
Borrowings	12	3,953	2,316
Current Tax Liabilities		514	251
Provisions		646	767
Total Current Liabilities		29,782	29,470
Non-Current Liabilities			
Deferred Tax liabilities		1,003	1,322
Borrowings	12	12,580	14,217
Provisions		61	69
Total Non-Current Liabilities		13,644	15,608
Total Liabilities		43,426	45,078
Net Assets		22,034	19,648
EQUITY			
Contributed Equity	4	13,166	12,566
Reserves		(250)	(31)
Retained Earnings		9,118	7,113
Total Equity		22,034	19,648

The Condensed Statement of Financial Position is to be read in conjunction with the attached Notes on pages 10 to 16

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half –Year to 31 December	
	2009 \$'000	2008 \$'000
Total equity at the beginning of the financial period	19,648	13,978
Exchange differences on translation of foreign operations	(219)	308
Net (loss)/income recognised directly in equity	(219)	308
Net Profit for the half-year	2,005	1,843
Total income and expense recognised for the period	1,786	2,151
Shares issued as consideration for business acquisition	600	-
Contributions of equity, net of transaction costs	-	232
Total equity at the end of the financial period	22,034	16,361

The Condensed Statement of Changes in Equity is to be read in conjunction with the attached Notes on pages 10 to 16.

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half –Year to 31 December	
	2009 \$'000	2008 \$'000
Cash Flows From Operating Activities		
Receipts from customers (inclusive of goods and services tax)	63,031	59,148
Payments to suppliers and employees (inclusive of goods and services tax)	(61,258)	(57,153)
	1,773	1,995
Interest received	10	40
Interest finance charge expense	(985)	(1,149)
Net cash inflow from operating activities	798	886
Cash Flows From Investing Activities		
Payment for investment in wholly owned subsidiary	(1,078)	(1,484)
Payments for property, plant and equipment	(74)	(255)
Payment for product development and other intangibles	(732)	(789)
Proceeds from sale of property, plant and equipment	27	-
Net cash outflow from investing activities	(1,857)	(2,528)
Cash Flows From Financing Activities		
Proceeds from borrowings	647	95
Repayment of borrowings	(621)	(1,773)
Share issue transaction costs	-	(3)
Net cash inflow /(outflow) from financing activities	26	(1,681)
Net decrease in cash held	(1,033)	(3,323)
Cash at the beginning of the financial period	2,431	6,787
Effects of exchange rate changes on cash and cash equivalents	(46)	-
Cash at the end of the financial period	1,352	3,464

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with the attached notes on pages 10 to 16.

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 1 Basis of Preparation of Half-year Financial Report

Statement of Compliance

The financial report for the half year ended 31 December 2009 is general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by Healthzone Limited during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of Preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Healthzone Limited is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Director's Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The consolidated entity has adopted all of the new and revised Standards and interpretations issued by the Australian Standards Board ("AASB") that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards did not have any material financial impact on the amounts recognised in the financial statements of the consolidated entity for the period current or prior periods.

In addition to the above, the adoption of the following new and revised standards have resulted in changes to the consolidated entities presentation or disclosure in its half year financial report as follows:

- Presentation of the financial statements. As a consequence of the adoption of AASB 101 *Presentation of Financial Statements* and its associated amending standards the statement of comprehensive income has been included as well as the income statement and what was previously termed the 'balance sheet' is now the statement of financial position.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the consolidated financial statements of Healthzone Limited comply with International Reporting standards (IFRS).

Note 2 Revenue

	Half-Year to 31 December	
	2009	2008
	\$'000	\$'000
Sale of Goods to external customers	53,177	50,365
Sale of Goods to other related parties	621	523
Licence revenue and master franchise revenue	2,380	950
Other revenue including foreign exchange gain	624	1,527
Total Revenue	56,802	53,365

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 3 Statement of Operations by Segment

Reporting – Segments

The consolidated entity has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 *Operating Segments* replaces AASB 114 *Segment Reporting* and requires a 'management approach' under which operating segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance.

The consolidated entities chief operating decision maker has been identified as the Executive Chairman.

The segment information provided to the Executive Chairman for the reportable segments for the half year ended 31 December 2009 is as follows:

Half-Year to 31 December 2009	Wholesale \$'000	Retail \$'000	Intersegment Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales of Goods	49,839	3,959	-	53,798
Intersegment Sales	4,534	-	(4,534)	-
Total Sales Revenue	54,373	3,959	(4,534)	53,798
Other Revenue	395	2,609	-	3,004
Total Revenue	54,768	6,568	(4,534)	56,802
Results				
Segment Result	855	2,296	(272)	2,879
Unallocated Revenue Less Unallocated Expenses	-	-	(492)	(492)
Profit Before Income Tax	855	2,296	(764)	2,387
Income Tax Expense				(382)
Net Profit for the Half-Year				2,005

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Half-Year to 31 December 2008	Wholesale \$'000	Retail \$'000	Intersegment Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales of Goods	46,664	4,224	-	50,888
Intersegment Sales	1,651	-	(1,651)	-
Total Sales Revenue	48,315	4,224	(1,651)	50,888
Other Revenue	1,513	964	-	2,477
Total Sales Revenue	49,838	5,188	(1,651)	53,365
Results				
Segment Result	1,428	606	-	2,034
Unallocated Revenue Less Unallocated Expenses	-	-	(19)	(19)
Profit Before Income Tax	1,428	606	(19)	2,015
Income Tax Expense				(172)
Net Profit for the Half-Year				1,843

Note 4 Equity Securities Issued

	Half-Year to 31 December 2009 Number of Shares	Half-Year to 31 December 2009 Contributed Equity \$'000	Half-Year to 30 June 2009 Number of Shares	Half-Year to 31 December 2008 Number of Shares
Opening balance	47,049,950	12,566	41,403,469	40,923,469
30 September 2008 exercise of options	-	-	-	470,000
25 November 2008 employee issue	-	-	-	10,000
10 February 2009 share issue	-	-	5,646,481	-
8 September 2009 share issue	2,039,349	600	-	-
Closing balance as at 31 December	49,089,299	13,166	47,049,950	41,403,469

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 5 Related Party Transactions

(a) Parent Entities

Healthzone Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in Subsidiaries are set out in Note 7.

(c) Associates

The Company has a 20% shareholding in Wild Food Natural Health Market Pty Limited ("Wild Food"). Mr Peter Roach, a director of the Company has a significant holding in Wild Food.

(i) Transactions with Directors' Related Parties.

	Half-Year to 31 December	
	2009 \$'000	2008 \$'000

Sales of Goods, Services and Interest:

Sales of goods and services to entities in which directors hold an interest and interest charged on outstanding balances.	789	523
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Purchase of Goods and Services

Purchase of goods and services from entities related to Mr Peter Roach	75	195
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	As at 31 December 2009 \$'000	As at 30 June 2009 \$'000
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(ii) Balances Outstanding with Directors' Related Parties

Receivable from entities related to Mr Michael Wu	251	251
Receivable from entities related to Mr Peter Roach	2,127	880
Receivable from Wild Food Natural Health Market Pty Limited	302	250

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 6 Wholly Owned Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			31 December 2009	31 December 2008
BOD International Pty Limited (formerly NHB Bod Pty Limited)	Australia	Ordinary	100%	100%
NHB China Limited	China	Ordinary	100%	100%
Healthzone Solutions Pty Ltd (formerly Health Minders International Pty Limited)	Australia	Ordinary	100%	100%
Health Minders Pty Limited	Australia	Ordinary	100%	100%
Healthy Life Partners Pty Limited (formerly Healthy Life Pty Limited)	Australia	Ordinary	100%	100%
DVC Discount Vitamin Centres Pty Limited	Australia	Ordinary	100%	100%
Health Minders Milperra Pty Limited	Australia	Ordinary	100%	100%
Health Minders Finance Pty Limited (formerly Phytomedical Research Group Pty Limited)	Australia	Ordinary	100%	100%
Health Minders (WA) Pty Limited	Australia	Ordinary	100%	100%
Supa Boost Effervescent Vitamins Pty Limited	Australia	Ordinary	100%	100%
Newco (Victoria) Pty Limited				
Jasham International Pty Limited	Australia	Ordinary	100%	100%
HZL 1 Pty Ltd	Australia	Ordinary	100%	-
HZL 2 Pty Ltd	Australia	Ordinary	100%	-
HZL 3 Pty Ltd	Australia	Ordinary	100%	-
HZL 4 Pty Ltd	Australia	Ordinary	100%	-
HZL 5 Pty Ltd	Australia	Ordinary	100%	-
Health Minders International Pty Limited (formerly HZL 6 Pty Ltd)	Australia	Ordinary	100%	-

Note 7 Commitments and Contingencies

The Group is the master franchisor of the Healthy Life retail franchise and holds head leases in relation to retail stores that are licensed to franchise premises. In accordance with the terms of those licences the franchisee is primarily responsible for lease liabilities and has provided guarantees to respective landlords in relation to those premises. In the event that a franchisee is unable to continue a retail lease, the landlord is required under the Retail Lease Act to re-lease the premises. In such an event the franchisee is primarily liable for any lease shortfall amount. Contingent liabilities include leases with terms of between 1 year and 5 years. Contingent liabilities of the Group in relation to those leases are \$5.6 million. The amounts payable for leases held on property occupied by the company are \$1.7 million for the 12-month period following balance date and \$2.0 million for the period between 1 and 5 years from balance date. The Company has a commitment to the vendor of the Jasham business for purchase consideration, based upon post-acquisition EBITDA of the Jasham business.

Note 8 Events Occurring after Reporting Date

No matter or circumstance has arisen since 31 December 2009 that has significantly affected or may significantly affect the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years, other than the issue in January 2010 of 7,333,333 fully paid ordinary shares to provide funds for development of proprietary health products, brand and business acquisitions and working capital. A general meeting of shareholders on 25 February 2010 approved the issue of up to 30,000,000 fully paid ordinary shares at \$0.30 with one warrant attached to every three shares to each to acquire one additional share for \$0.38.

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 9 Trade and Other Receivables

	Consolidated	
	31 December	30 June
	2009	2009
	\$'000	\$'000
Current		
Trade receivables	18,875	17,306
Receivables from directors' related parties	2,929	2,069
Government grant (EMDG) receivable	155	210
Receivable from master franchise agreement	2,900	1,500
Other receivables and prepayments	458	2,267
	25,317	23,352
Non-Current		
Loans to other parties (1)	3,000	3,000

(1) Repayment is part secured over securities held by borrower. Interest is receivable at commercial rates.

Note 10 Intangible Assets

	Goodwill	Product Development	Information Technology Development	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2009				
Cost	24,069	1,410	421	25,900
Accumulated amortisation and impairment	-	-	-	-
Net book amount	24,069	1,410	421	25,900
Half-year ended 31 December 2009				
Opening net book amount	24,069	1,410	421	25,900
Additions	-	408	317	725
Amortisation and Impairment	-	(50)	(17)	(67)
Closing net book amount	24,069	1,768	721	26,558
At 31 December 2009				
Cost	24,069	1,818	738	26,625
Accumulated amortisation and impairment	-	(50)	(17)	(67)
Net book amount	24,069	1,768	721	26,558

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 11 Trade and Other Payables

	Consolidated	
	31 December 2009 \$'000	30 June 2009 \$'000
Current		
Trade creditors	10,402	14,347
Other creditors and accrued expenses	6,542	4,255
Trade instruments	7,965	7,534
Total Current	24,909	26,136

As at 31 December 2009 trade and other payables included trade instruments by which the Group received cash in lieu of collections of trade receivables.

Note 12 Borrowings

	Consolidated	
	31-Dec 2009 \$'000	30-Jun 2009 \$'000
Current		
Secured Liabilities		
Financial leases	153	179
Commercial bills	3,153	2,137
Unsecured Liabilities		
Convertible notes	647	
	3,953	2,316
Non-Current		
Secured Liabilities		
Commercial bills	12,580	14,217
	12,580	14,217

Commercial Bills

The loan facilities are repayable in instalments per quarter and expire as follows: \$1.9m in August 2011, \$9.3m in October 2012 and \$4.5m in June 2013. The interest rates on facilities of \$9.3m is fixed at 9.8% until October 2012 and the interest rate on facilities of \$6.4m is at a floating rate on 90 day bank bills and a facility fee based on the facility limit. The commercial bills are subject to certain financial covenants, none of which have been breached at 31 December 2009.

Directors

Peter Roach (Executive Chairman)
Michael Wu
Michael Jenkins (Appointed 27 August 2009)
Terry Cuthbertson (Resigned 27 August 2009)

Company Secretary

Michael Jenkins

Registered Office

Healthzone Limited
316 Horsley Road
Milperra NSW 2214

Auditors

PKF
Level 10, 1 Margaret Street
Sydney NSW 2000

Lawyers

Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

Share Registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: +61 2 9290 9600

Website

www.healthzone.com.au

Contact Information

Telephone: +61 2 9238 6255
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HEALTHZONE LIMITED DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance, as represented by the results of their operations and their cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Healthzone Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chairman and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Peter Roach
Healthzone Limited
Executive Chairman

Dated at Sydney this 1st day of March 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

Report on the Half-Year Financial Report

To the members of Healthzone Limited

We have reviewed the accompanying half-year financial report of Healthzone Limited, which comprises the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Healthzone Limited Group (the consolidated entity). The consolidated entity comprises Healthzone Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Healthzone Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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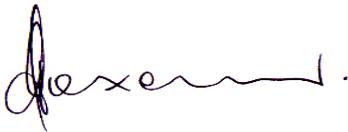
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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



Grant Saxon
Partner
Sydney, 1 March 2010