ANNUAL REPORT 2009

HEALTHZONE LIMITED

ACN 118 715 772

CONTENT

CHAIRMAN'S REPORT

FY2009 Milestones

The table below is a summary of Healthzone's financial results:

Healthzone Limited Operating Performance	Year Ended 30 June 2008 $'Million	Year Ended 30 June 2009 $'Million	Change
Revenue	63.7	104.0	+63%
EBITDA	**4.4**	**6.3**	**+43%**
Pre-Tax Profit	3.1	3.7	+ 18%
Net Profit After Tax	**2.4**	**3.0**	**+23%**
Earnings Per Share	**6.6 cents**	**6.9 cents**	**+ 5%**

In the year to 30 June 2009, Healthzone Limited achieved the following milestones:

- Record profit with 43% growth in EBITDA to $6.3 million and growth in profit after tax attributable to shareholders to $3.0 million.
- Growth in revenues by 63% to more than $100 million;
- Growth of the Company's proprietary health food range by more than 100 products, which provide high margins, channel loyalty and strategic advantages to Healthzone.
- Successful integration of Healthzone's health and beauty distribution businesses to establish a leading health and beauty supplier in Australasia.
- Growth in net assets by $5.9 million.
- Continued progress with Healthzone's Project 2010 initiatives to achieve synergies between Healthzone's national franchise, distribution and products businesses.
- International growth of the Healthy Life retail franchise with appointment of a master franchise in China, which has much larger markets than Australia with higher growth.
- Continued improvements of operating efficiencies to enable cost savings and reinvestment of capital for enterprise growth.
- Strengthening of Healthzone's leadership with appointment of senior executives with proven expertise in health food business development, retail distribution and beauty sector growth.
- Continued improvements in Healthzone's supply chain for margin growth, supply chain control and supply of products that better meet consumer needs.

FY2009 Challenges

Healthzone achieved growth in FY2009 despite facing significant challenges, including the deepening global financial crisis and deterioration of general retail conditions.

On 28 November 2008, Healthzone cautioned shareholders about worsening economic conditions, changes in consumer spending, shortages of supply and deferral of expansion initiatives subject to greater certainty of market conditions.

During the year, the Company experienced supply shortages of more than $10 million and volatility in the Australian dollar from US$0.60 to US$0.95, tightening credit for participants in Healthzone's markets, integration of new businesses, the launch of new products, continued international growth and growth of Healthzone's executive team.

Despite these challenges, Healthzone generated record profits with growth in revenues, EBITDA, net profit after tax and operating cash flows of $2.4 million whilst investing significant resources for sustainable competitive advantages, which are expected to provide greater long term profit growth.

I would like to thank Healthzone's executive team and national franchise, who largely mitigated these factors with disciplined planning, execution and hard work.

Outlook

The complementary health sector has historically been resilient to economic cycles, which is partly evidenced by continued growth in Healthzone's operating performance during challenging economic times. Market intelligence suggests that total revenue of the Australian complementary health sector is expected to grow at around 6% per annum to 2013, with continued growth to be supported by macro-economic trends such as an ageing population, greater health awareness and the growing demand for preventative and non-prescription health products.

Whilst Healthzone has established a leadership position in Australia with distribution of health and beauty products through its national retail franchise and wholesale distribution businesses, the Company is advancing initiatives to grow the profit margin of its business whilst boosting competitive advantages in key markets.

Healthzone has grown its brands portfolio to more than 300 products in response to demand for specialised health food products by national franchisees and wholesale customers. Healthzone's proprietary brands provide important strategic advantages, including security of supply, greater control, response to market needs, enterprise value and invested support by franchisees and health food retailers who require specialised health food products.

With integration of Health Minders and Jasham, Healthzone has strengthened its capabilities to satisfy demand for one-stop supply and expertise of both health and beauty products by pharmacies, health food stores and department stores.

In FY10, Healthzone plans to strengthened its national franchise through consolidation of the Healthy Life and Healthzone banners into one Healthy Life brand and growth in China. These activities will enhance the value of Healthy Life through increased supplier marketing revenues, improved efficiencies, greater market influence and increased distribution sales.

We look forward to continued growth of Healthzone's businesses and thank our shareholders, franchisees, customers, suppliers and staff for their continuing support.

Peter Roach
Executive Chairman

REVIEW OF OPERATIONS

Healthzone 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.

Healthzone's businesses are comprised of three principal activities;

Company Owned Health & Beauty Products

- More than 100 "Natural Alternative" products, including food, skin and body care and household cleaning products.
- The "Bod" range of premium skincare and beauty products, produced in Australia for sale in Australia, Japan, Hong Kong, Taiwan, Korea, Canada, Europe, Singapore, Malaysia and New Zealand.
- The "Aurinda" range of more than 45 vitamin and supplement products produced in Australia for export and local sale.
- The "Healthy Life" range of health foods and beverages which are sold exclusively through Healthy Life stores.
- More than 65 "HL" vitamin, herbal and mineral supplement products.

Wholesale Distribution

- The Health Minders national health food warehouse and distribution business, which supplies more than 5 million products annually across more than 4,500 product

lines to more than 5,000 customers, including health food chains, pharmacies and supermarkets.

- Jasham distribution of beauty and fragrance products to more than 1,700 pharmacies and department stores in Australia.
- Healthzone distribution through more than 1,400 outlets in China.
- Pro-Hair and Alexem national distribution of hair care and fragrance products to department store chains, niche retailers and salons.
- Wholesale distribution in North America, Europe and Asia.

Retail

- Healthy Life, Australia's leading national health food retail franchise, established for more than 20 years with more than 120 health food retail stores, including company stores.
- The Healthy Life Catalogue, Australia's leading wellness products catalogue for retailers, which is complemented by electronic ordering, news and communications systems.
- More than 400,000 registered loyalty club members.
- Healthy Life News magazine which has a circulation of more than 6 million copies per annum.
- Emerging online stores for each Healthzone business.

Proprietary Products

The Company's products are contract manufactured in Australia and New Zealand for distribution to customers through Healthzone's national and international retail and wholesale distribution networks.

As Australia's leading distributor to the health food channel, Healthzone monitors market intelligence through its retail, franchise and wholesale distribution networks and develops products according to consumer preferences.

The Company has grown its proprietary brands portfolio to more than 300 products in response to demand for specialised health food products by national franchisees and wholesale customers. Healthzone's proprietary brands provide important strategic advantages, including security of supply, greater control, response to market needs, enterprise value and invested support by franchisees and health food retailers who require specialised health food products.

Natural Alternative Products

Healthzone's "Natural Alternative" range of more than 100 products was launched in the second quarter of FY09, which includes functional foods and "free-from" foods, teas, cleaning products, natural body care and hair care products. Healthzone is progressing growth of the Natural Alternative range to more than 300 products in 2010.

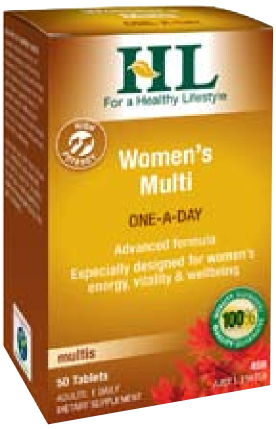
Healthzone has developed the Natural Alternative range exclusively for the health food channel, which includes national retailers and Healthzone's network of more than 120 stores. The Natural Alternative range provides strategic advantages to Healthzone, including health food channel loyalty, sales expansion to non-Healthzone franchised stores, higher profit margins, control of supply arrangements and better response to the needs of Healthzone's retail customers.

HL Vitamins and Supplements

Healthzone launched the "HL" range of vitamin and supplement products in FY09, which now consists of more than 65 products with attractive gross profit margins. The HL range is distributed exclusively through the Healthy Life retail franchise and equips Healthzone with the ability to develop products in response to emerging needs of consumers. Healthzone's national franchise network of stores will underpin demand for HL products with supported by Healthzone's national sales team.

Healthy Life Foods

The Healthy Life Foods range consists of more than 50 functional food products and Healthzone is currently reviewing production and supply arrangements to enhance gross profit margins of this business. This range is supported by national marketing initiatives and Healthzone's national retail network.



Bod Skincare and Beauty Products

The 'Bod' range of premium skincare and beauty products, produced in Australia for sale in Australia, Japan, Hong Kong, Taiwan, Korea, Canada, Europe, Singapore, Malaysia and NZ. The Bod range enjoyed continued international growth in FY09 with further penetration in North America and Europe, whilst in Australia, Healthzone has increased distribution of the Bod range to more than 300 stores with initiatives in progress to increase sales to Healthzone's 2,000+ pharmacy customers from FY10. Healthzone is continuing expansion of the Bod range, including development of products for the growing 'certified organic' sector.

Aurinda Vitamins and Supplements

The Aurinda range of vitamins and supplements is distributed in China's health and beauty markets, which are estimated to be more than five times the size of the Australian market and growing at a faster rate.

In FY09, Healthzone expanded distribution of Aurinda products to the Chongqing and Xi'an provinces with plans for further expansion to Cheng Du, Da Lian, Qing Dao and San Xi in FY10. Five new products were developed in FY09 with plans to market 15 new products in Australia in FY10 with the support of Healthzone's national sales team.

Wholesale Distribution

Healthzone earns distribution margins for the sales of third party supplier products through its national distribution network to more than 5,000 retailers in the health food, pharmacy and grocery retail segments. Healthzone also benefits from marketing contributions and rebates from suppliers who sell their products through Healthzone's distribution channels, including the Health Minders catalogue and Healthy Life marketing programs.

Key drivers of distribution gross profits include the volume and range of supplier products that Healthzone distributes, economies of scale and fees for value added services that Healthzone provides to suppliers, including logistics, marketing and market intelligence services. Healthzone is strengthening its capabilities to satisfy demand for one-stop supply and expertise of both health and beauty products by pharmacies, health food stores and department stores. Healthzone successfully integrated the Health Minders and Jasham businesses during the year and further enhanced its distribution capabilities in FY09 with the acquisition of the Pro-Hair and Alexem businesses. Pro-Hair is a hair care distribution business, which provides channel opportunities for the distribution of hair care and beauty products, including Healthzone brands. Alexem is a fragrance distribution business and provides Healthzone with distribution to large department stores, including the national Big W and Target chains.

Health Minders

Health Minders has been established for more than 20 years and is Australia's leading distributor to the health food channel. Key profit growth activities for the Health Minders business including:

- distribution of proprietary brands which provide higher margins, compared to traditionally lower wholesale distribution margins;
- value add and brand management services which provide Healthzone with margins of more than 20%, potential equity in third party brands and competitive advantages in the health foods distribution sector; and
- increasing the proportion of stock purchased by stores from Health Minders.

  FY09 performance of the Health Minders business was impacted by lost sales due to stock shortages by major suppliers of around $10 million, which is not expected to recur in FY10 and which will be partially mitigated by growth of Healthzone proprietary product sales. FY09 performance was also partially impacted by the integration costs of South Australian operations into Healthzone's existing facilities for the purpose of improving services and margins.

Jasham

In FY09, Healthzone successfully integrated the Jasham pharmacy channel distribution business. The number of outlets in the pharmacy channel market is estimated to be at least 5 times the number of outlets in the health food channel with distribution margins being 60% more than the Health Minders business with shorter cash flow cycles.

Healthzone is achieving early success with growth of the Jasham business, including:

- expansion of Jasham's customers to include 150 new retailers, including Priceline and Big W;
- more than $1 million of cosmetics sales in FY09 with higher average gross margins and activities to significantly expand cosmetics sales; and
- enabling access by suppliers (and Healthzone brands) to Jasham's 1,700+ national pharmacy channel.

Pro Hair and Alexem

The Pro Hair and Alexem businesses were acquired on 30 April 2009.

Pro Hair and Alexem are national distributors of hair care and fragrance products, which are complementary to Healthzone's Jasham and Health Minders. Brands distributed by Pro Hair and Alexem include Redken, Joico, Victory and Parley. The acquisition of these businesses is consistent with Healthzone's objectives to increase margins of its distribution businesses, expand the range of products Healthzone distributes and expand the retailer distribution channels of Healthzone. The Alexem business is also expected to support market expansion of the Bod premium hair care and skincare range in the Australian speciality retail and hair care markets.

Healthzone has absorbed these businesses within its Health Minders and Jasham businesses with a view to adding significant sales volumes through Healthzone's national pharmacy and health food distribution businesses, which have more than 5,000 wholesale supply customers.

Retail

The Company has direct access to consumers through more than 120 national stores including the Healthy Life health food retail franchise and company owned stores. Healthzone is able to obtain daily market intelligence through these stores with respect to consumer preferences for products, pricing, packaging and merchandising.

Healthzone earns franchise revenues from more than 120 franchised stores, being a percentage of Franchisee sales and margins from the sale of products to franchised stores. Healthzone also benefits from marketing contributions and rebates from suppliers who sell their products through Healthzone's retail channels and participate in Healthzone's media distribution channels such as the Healthy Life magazine with a circulation of more than 6 million copies per annum, retail e-commerce systems, in-store and electronic point of sale marketing and special marketing events in stores.

Key drivers of revenue include the number of franchised stores, sales turnover in those stores, purchases by franchisees from Healthzone's distribution businesses, superior customer service, consumer demand for health food products, brand marketing, merchandising and group purchasing power.

Healthy Life Franchise

Healthzone is strengthening its national franchise through consolidation of the Healthy Life and Healthzone banners into one Healthy Life brand. This consolidation greatly enhances the value of Healthy Life and is expected to result in increased supplier-marketing contributions and efficiencies.

Healthzone is advancing the international growth of the Healthy Life franchise with establishment of a master franchise in China, which provides revenues, development of a national retail network in China, an export pipeline for proprietary brands and provides Health Minders customers with direct access to China's large and growing health markets.

Project 2010

Healthzone has implemented strategic initiatives through its Project 2010 program to boost profitability of its franchise and distribution businesses. These activities are resulting in greater market influence, support by franchisees of Healthzone initiatives and increased distribution sales by Health Minders. Progress of these initiatives is very encouraging with scope to generate further profits in FY10.

Progress achieved with Project 2010 during the year included:

- Penetration into the Pharmacy retail sector with additional retail customers, beauty products and initiatives for cross-selling health food brands into the pharmacy channel;
- Securing agreements for the distribution of additional health and beauty products to the health food, pharmacy and grocery markets;
- Development of "Aurinda" and "Bod" product ranges with distribution to 30 new outlets in China;
- Launching digital in-store advertising across national stores, which is centrally operated from Healthzone's head office;
- Integration of company owned stores with the national franchise network; and
- Central purchasing for the national franchise and enhancing support by the national franchise of Healthzone's distribution businesses.

Enterprise Development

Other progress of the Company during the year included:

- Appointment of senior executives to Healthzone's team with expertise in finance, marketing, sales, retailing and distribution;
- Establishment of a national sales team with objectives to accelerate sales of Healthzone's proprietary brands and strengthen the Health Minders and Jasham businesses with brand management, sales capabilities and focussing group sales on higher margin products. Healthzone's national sales team reports directly to Michael Trevaskis, who is former National Marketing Manager of Thompson's Nutrition. The national sales team will cross promote the services of Health Minders, Jasham, Alexem, Pro-hair and Healthzone retail; and
- Development of Healthzone's systems to enhance operating efficiency, profit margins, inventory management and business intelligence through improved services to customers, business intelligence, merchandising and marketing.

SOCIAL RESPONSIBILITY

We are conscious that our decision to change from glass to PET packaging will make our products lighter, safer and easier for consumers to carry, as well as reduce freight and the environmental carbon footprint.

Vitamin Angels

Healthzone supports Vitamin Angels by selling merchandise and collecting donations in Healthy Life stores. In addition, Healthzone donates 25 cents for each HL brand supplement sold.

Vitamin Angels is a non-profit child welfare organisation providing nutritional support to children from impoverished areas spanning the globe. Their latest effort, Operation 20/20, is focused upon providing Vitamin A and other supplements critical for maintaining healthy vision.

Packaging

Glass packaging for the HL range of supplements has been replaced with more environmentally friendly PET.

Being on average 75% lighter than glass, the switch to PET has resulted in lower fuel costs and emissions, saving energy and fuel resources. PET requires half the energy to produce and recycle, and occupies 1.5 less waste volume than glass.

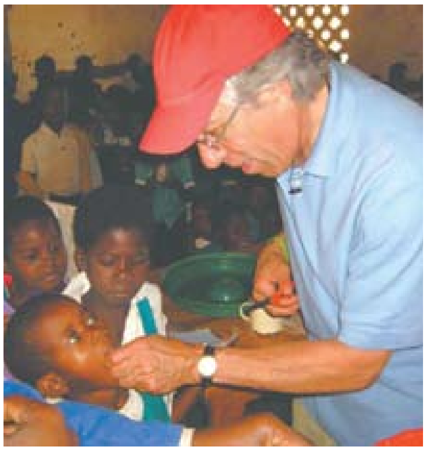
Being lighter for consumers to carry home and less prone to breakage, PET has proven to be beneficial for the environment and our customers.

Paper

Healthzone is committed to the ecological and economical use of raw materials as well as the re-use of existing resources, and has moved to a more ecologically sustainable paper in printing the Healthy Life News.

Exclusive to Healthy Life stores, the Healthy Life News is one of Australia's leading natural health publications and is distributed to one million households six times a year.

The Healthy Life News is now printed under ISO 14001 Environmental Certification and the paper being used is PEFC Certified under the Programme for the Endorsement of Forest Certification Scheme. The PEFC provides an assurance that the paper used is from sustainably managed forests that meet the social, economic and ecological needs of present and future generations.



DIRECTORS' REPORT

This Report is provided in relation to Healthzone Limited as an individual entity and the consolidated entity consisting of Healthzone Limited and its controlled entities. The 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

Your Directors present this report on the consolidated entity (referred hereafter as the Group or Healthzone), consisting of Healthzone Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The following persons were Directors of Healthzone Limited during the financial year and up to the date of this report unless otherwise stated:

Peter Roach -
appointed 4 May 2007

Michael Ge Wu -
appointed 8 March 2006

Michael Jenkins
appointed 27 August 2009

Terry Cuthbertson -
resigned 27 August 2009

Robert Dulhunty -
resigned 27 March 2009

Company Secretary

The company secretary is Michael Jenkins, who was appointed 19 December 2008.

Principal Activities

Healthzone is a distributor, producer and franchise retailer of health and beauty products. The Group's operations include production of more than 300 health food products; a national health food distribution business; a national franchise of more than 120 health food retail stores including company owned retail stores.

Dividends

The Directors of the Group recommend that no dividend be paid in respect of the year ended 30 June 2009 (2008 – Nil).

Operating Results

The net profit after tax of the consolidated entity for the year ended 30 June 2009 was $3.0 million (2008: $2.4 million). Income tax expense for the year was $0.7 million (2008: $0.7 million). In the opinion of the Directors, the results of the operations of the consolidated entity for the year ended 30 June 2009 were not affected by any item, transaction or event of a material or unusual nature other than those outlined in this Report.

Significant Changes in the State of Affairs

Other than as described in the annual report, there were no significant changes in the state of affairs during the year.

After Balance Date Events

Other than as disclosed in Note 31 to the financial report, no matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Future Developments

Other than as disclosed in their report, the Directors are of the opinion that further information as to likely developments in the operations of the Group and expected results are likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group is not subject to significant environmental regulation.

Qualifications, Experience and Responsibilities of Directors and Company Secretary

Peter Roach MAICD

Executive Chairman

Peter Roach has more than 20 years experience in the Australian health food industry. As former Chairman and Marketing Director of Go Vita Distributors Pty Limited, Peter administered a national health food distribution and retail operation that today successfully operates with more than 100 retail stores. As former Managing Director of DVC Discount Vitamin Centres, Peter developed a retail chain of health food stores in Sydney and Melbourne with more than 70,000 loyalty club members.

Current And Former Directorships In Last 3 Years

Nil.

Michael Ge Wu B.Com M.Com MAICD

Executive Director

Michael Wu has successfully implemented initiatives for export, logistics, business development, for product development, contract manufacturing, research and development and planning and execution of Healthzone's business acquisition activities.

Michael holds a Master of Commerce Degree, a Bachelor of Commerce Degree and is a member of the Australian Institute of Company Directors.

Current And Former Directorships In Last 3 Years

Nil.

Michael Jenkins
B.Com, LLB (Hons.)

Finance Director and Company Secretary

Michael was appointed Company secretary in December 2008 and Finance Director in August 2009. Michael has more than 20 years of experience in finance and as a senior executive. Michael is a Chartered Accountant, holds a Bachelor of Laws Degree, a Bachelor of Commerce Degree and is a Member of the Australian Institute of Company Directors, the Australian Institute of Company Secretaries and the Australian Institute of Chartered Accountants.

Current And Former Directorships In Last 3 Years

Nil

Directors' Interests

Directors' total direct and indirect interests in Shares and Options of the Company are as follows:

	Number Of Shares	Number Of Options
Peter Roach	1,002,500	-
Michael Ge Wu	9,556,825	-
Michael Jenkins	76,600	-

Meetings of Directors

There were 10 meetings of the Board during the year ended 30 June 2009.

Information concerning the date of appointment of all Directors who served during the year, the number of Board meetings each was eligible to attend and the number of meetings attended is as follows.

		Directors		Audit And Remuneration Committee	
Directors & Offices	Date Of Appointment	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Peter Roach	4/05/2007	10	9	2	2
Michael Ge Wu	8/03/2006	10	10	2	2
Michael Jenkins (1)	27/08/2009	7	7	1	1
Robert Dulhunty (2)	4/05/2007	7	7	-	-
Terry Cuthbertson (3)	8/09/2006	10	8	2	2

(1) appointed Company Secretary 19 December 2008 and Finance Director 27 August 2009
(2) resigned 27 March 2009
(3) resigned 27 August 2009

Remuneration Report

The remuneration report is set out under the following main headings:

A Principles Used to Determine the Nature and Amount of Remuneration

B Details of Remuneration

C Service Agreements

D Share Based Compensation

E Additional Information (Unaudited)

Information provided under headings A to D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001*, which have not been audited.

A. Principles Used To Determine The Nature And Amount Of Remuneration (Audited)

Non Executive Directors

Fees and payments to Non Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non Executive Directors' fees and payments are reviewed annually by the Board based on comparative roles in the external market.

Non Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is currently $300,000.

Retirement Allowances For Directors

There are no retirement allowances for directors, other than payment of statutory superannuation.

Executives Including Executive Directors

The objectives of the Group's executive reward system are for rewards to be competitive, appropriate and based on performance. This system aligns executive rewards with the company's objectives and shareholder value. The system is reasonable with respect to the Company's state of results and competitive for the Company to attract and retain key executives which provides a mix of fixed and variable pay.

Executive Pay

The Company's reward system is comprised of:

- Base pay and benefits (fixed); and
- Performance incentives (variable).

The combination of these comprises the executive's total remuneration.

Base Pay

Base pay is structured as a remuneration package which may be provided by way of cash and prescribed benefits, including superannuation. Base pay for senior executives is reviewed periodically by the Audit and Remuneration Committee in the context of market practices.

Benefits

The Company provides statutory superannuation as required to all employees and motor vehicle benefits to four Executive. There are no retirement benefits other than statutory superannuation.

Healthzone Limited Executive Option Plan

Information on the Healthzone Limited Executive Option Plan is set out in Note 1(u) to the Financial Report.

B. Details of Remuneration (Audited)

Amounts of Remuneration

Details of the remuneration of Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) for the financial years ended 30 June 2009 and 30 June 2008 are set out in the following tables:

Remuneration of Directors and Key Management Personnel
Year Ended 30 June 2009

	Short-Term Benefits			Post Employment Benefits	Share Based Payment	
Name	Cash Salary and Fees $ '000	Cash Bonus $ '000	Non Monetary Benefits $ '000	Super-annuation $ '000	Share Options $ '000	Total $ '000
Executive Directors						
Michael Ge Wu	60	-	-	-	-	60
Peter Roach	150	-	-	1	-	151
Michael Jenkins (1)	150	-	-	13	-	163
Sub-Total Executive Directors	360	-	-	14	-	374
Non-Executive Directors						
Terry Cuthbertson (2)	40	-	-	4	-	44
Robert Dulhunty (3)	54	-	-	5	-	59
Sub-Total Non-Executive Directors	94	-	-	9	-	103
Other Key Management Personnel						
Matthew Jinks (4)	213	-	20	19	-	252
Michael Trevaskis (5)	78	-	10	7	-	95
Geoffery Sainsbury (6)	85	-	16	8	-	109
Michael Barwick	168	-	20	15	-	203
Sub-Total Other Key Management Personnel	544	-	66	49	-	659
Total	998	-	66	72	-	1,136

(1) Appointed CFO 29 September 2008, Company Secretary 19 December 2008 and finance Director 27 August 2009.
(2) Resigned 27 August 2009.
(3) Resigned 27 March 2009.
(4) Appointed 7 July 2008.
(5) Appointed 21 January 2009.
(6) Appointed 8 September 2008.

Year Ended 30 June 2008				Post Employment Benefits	Share Based Payment	
	Short-Term Benefits					
Name	Cash Salary and Fees $ '000	Cash Bonus $ '000	Non Monetary Benefits $ '000	Super-annuation $ '000	Share Options $ '000	Total $ '000
Executive Directors						
Michael Ge Wu	42	-	2	-	-	44
Peter Roach	96	-	-	9	-	105
Sub-Total Executive Directors	138	-	2	9	-	149
Non-Executive Directors						
Terry Cuthbertson	40	-	-	4	-	44
Robert Dulhunty	5	-	-	-	-	5
Sub-Total Non-Executive Directors	45	-	-	4	-	49
Other Key Management Personnel						
Michael Barwick	144	-	4	13	-	161
Paul Curlisa	144	-	4	13	-	161
Guy Robertson	74	-	-	-	-	74
Sub-Total Other Key Personnel	362	-	8	26	-	396
Total	**545**	**-**	**10**	**39**	**-**	**594**

C. Service Agreements (Audited)

Remuneration and other terms of employment for the Directors and other key personnel are formalised in service agreements. The major provisions of agreements relating to remuneration are set out below.

Contracts with executives may be terminated by the executive and by the Group subject to notice periods and termination payments as detailed below.

Michael Ge Wu – Director

Appointed 8 March 2006. Agreement commenced 4 September 2006. Director's fees, for the financial year ended 30 June 2009 of $60,000 per annum, to be reviewed annually by the Audit and Remuneration Committee. Mr Wu is a director of MGR Pty Ltd that received consultancy fees of $110 thousand for brand development services that have been approved by the Board on normal commercial terms – see Note 26 Related Party Transactions. Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to four months' base salary and benefits.

Peter Roach – Director and Executive Chairman

Agreement commencing 4 May 2007, and amended 1 January 2008. Base remuneration, inclusive of superannuation, for the financial year ended 30 June 2009 of $121,032 per annum, to be reviewed annually by the Audit and Remuneration Committee. Consultancy fees of $120 thousand for brand development and due diligence services were paid to Colroa Trust a related entity that have been approved by the Board on normal commercial terms – see Note 26 Related Party Transactions.

Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to one month's fees.

Terry Cuthbertson – Director

Resigned 27 August 2009
Base salary package, inclusive of superannuation, for the financial year ending 30 June 2009 of $43,600 per annum, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to one month's base salary and benefits.

Michael Jenkins – Director and Company Secretary

Agreement commenced 29 September 2008 and amended 27 August 2009.

Base salary for the financial year ended 30 June 2009 of $200,000, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to one months' base salary.

Michael Barwick – General Manager Jasham International Pty Limited

Agreement commenced – 13 May 2009

Base salary for financial year ended 30 June 2009 of $170,000, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to one month's base salary.

Matthew Jinks – General Manager Of Operations

Agreement commenced 7 July 2008.
Base salary for the financial year ended 30 June 2009 of $220,000, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to one month's base salary.

Michael Trevaskis – General Manager Of Sales

Agreement commenced 21 January 2009.

Base salary for the financial year ended 30 June 2009 of $173,750, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to three months' base salary.

Geoff Sainsbury – General Manager Of Retail

Agreement commenced – 8 September 2008.

Base salary for the financial year ended 30 June 2009 of $150,000, to be reviewed annually by the Audit and Remuneration Committee.

Payment of a termination benefit on termination by the Group, other than for gross misconduct, equal to one month's base salary.

D. Share – Based Compensation (Audited)

The Healthzone Limited Option Plan is open to selected persons at the discretion of the Board. The overall philosophy of the Option Plan is to attract, retain and motivate key personnel. It is designed to generate longer term incentives linked to the performance of the Group.

The Option Plan allocates options to acquire ordinary shares in Healthzone Limited. Options under the plan carry no dividend rights.
No option holder has any right under the options to participate in any other share issue of the Company.

470,000 options were exercised during the financial year ended 30 June 2009 at an exercise price of $0.50 and 30,000 options lapsed.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

E. Additional Information (Unaudited)

The overall level of executive reward will take into account the performance of the Group over a number of years, with greater emphasis given to the most recent year.

Amounts owing to and from director related entities are described in note 26. There are no other loans with Directors or executives.

Insurance Of Officers

The Company's Directors and Officers insurance policy was renewed on 31 May 2009. The Company paid a premium of $ 17,359 on 18 June 2009.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings On Behalf Of The Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001. Refer to Note 23 for other contingencies.

Non-Audit Services

The Group may engage the audit firm on assignments additional to statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services have been reviewed by the audit committee to ensure they do not impact the
- impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

Remuneration Of Auditors

During the year the following fees were paid or payable for services provided by the audit firm of the parent entity, its related practices and non-related audit firms:

	2009 $ '000	2008 $ '000
Assurance Services		
1. Audit Services		
Fees paid to the auditor of the parent company:		
Audit and review of financial reports	226	95
Fees paid to the auditors of the overseas subsidiary	17	-
Total remuneration for audit services	243	95
2. Other Assurance Services		
Fees paid to the audit firm of the parent company:		
Services provided as investigating accountants in business acquisitions	126	334
Total remuneration for other assurance services	126	334
Total remuneration for assurance services	369	429
3. Taxation Services		
Fees paid to the audit firm of the parent company:		
Tax compliance services, including review of Company income tax returns, international tax consulting and tax advice on mergers and acquisitions	114	16
Total remuneration for taxation services	114	16

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 25.

Auditor

PKF Chartered Accountants and Business Advisors continues in office in accordance with section 327 of the *Corporations Act 2001.* This report is made in accordance with a resolution of the directors.

Peter Roach
Chairman

Michael Wu
Director

Dated at Sydney Monday 28 September 2009

Auditor's Independence Declaration

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the audit of Healthzone Limited for the year ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

Grant Saxon
Partner
Sydney, 28 September 2009

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

CORPORATE GOVERNANCE

Healthzone Limited (the Company) and its board of Directors ('Board') are committed to achieving and maintaining best practice in corporate governance, consistent with our sector of operations and the size and maturity of the Company The Listing Rules of the Australian Securities Exchange (ASX) require listed companies to provide a statement in their annual report disclosing the extent to which they have followed the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles"). The following discloses the extent to which the Company has followed the ASX Principles during the reporting period. The Company and its controlled entities together are referred to as the Group in this statement.

The Board of Healthzone adopted a general Corporate Governance Policy in November 2006, subsequent to its listing on the Australian Securities Exchange on 8 November 2006. The Group adopted a broad Corporate Governance Framework as well as more detailed policies in a number of areas are available from investor section of the Company's website www.healthzone.com.au, including the Company's:

- Board Charter;
- Audit and Remuneration Committee Charter;
- Continuous Disclosure and Shareholder Reporting Policies; and
- Share Trading Policies.

More recently, the Group has developed a broad risk management framework which is supported by detailed internal policies and procedures.

Set out below are the corporate governance policies and procedures adopted by the Board of the Company. At regular intervals the Board reviews the policies and procedures adopted as requirements change as the Group develops and grows in complexity. The policies in place are described under the headings of the eight ASX Principles consistent with the ASX Principles and Recommendations from 1 July 2008.

Principle 1

Lay Solid Foundations for Management and Oversight Role of the Board

The Board has the primary responsibility for guiding and monitoring the business and affairs of the Company, including compliance with the Company's corporate governance objectives. The Board is responsible for the oversight and performance of the Company.

The Board has delegated the day to day management of the Company to the Audit and Remuneration Committee (The Committee) and senior management of the Company.

The Board's role is set out in the Board charter which establishes the relationship between the Board and management and describes their respective functions and responsibilities.

The Board is responsible for the oversight and performance of the Group, including matters such as:

- Overall corporate governance;

- Formulating, approving and monitoring corporate objectives with a view to maximising shareholder value;
- Selecting, appointing and reviewing key consultants and executives;
- Identifying management and business risks;
- Monitoring systems of internal control and compliance;
- Evaluating, approving and monitoring the strategic and financial plans and performance objectives for the Group;
- Evaluating, approving and monitoring the annual budgets and business plans;
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue of any securities of the Group;
- Monitoring and approving all financial reports and all other reporting and external communications by the Group;
- Evaluation of Board and individual director performance;
- Evaluation of senior management performance against individual and group plans;
- Appointing, removing and managing the performance of, and the succession planning for, senior executives of the Group;
- Overseeing and ratifying the terms of appointment and, where appropriate, removal, of senior executives, including their remuneration;
- Reporting to shareholders on the Group's strategic direction and performance;
- Monitoring the Group's performance in relation to best practice principles of corporate governance; and
- Approving and monitoring the Group's risk management strategy and internal controls and accountability systems and their effectiveness.

Role of Management

The Board has delegated the day to day management of the Group to the Committee outlined above, and senior management. The delegations to the committee each lead by the Committee chairman include:

- Developing business plans, budgets and Group strategies for consideration by the Board and, to the extent approved by the Board, implementing those plans, budgets and strategies;
- Operating the business of the Group within the parameters determined by the Board and keeping the Board promptly informed of all developments material to the Group and its business;
- Identifying and managing operational risks and formulating strategies for managing those risks for consideration by the Board; and
- Managing the Group's financial and other reporting mechanisms and control and monitoring systems to ensure reporting of relevant material information on a timely and effective basis.

Role of the Chairman

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The Chairman is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people. At the date of this report the Chairman is the CEO. Due to the Company being in an acquisition phase it was deemed acceptable for the Chairman to also fill the role of CEO. The Company is currently reviewing the roles of CEO and Chairman.

Principle 2
Structure the Board to Add Value

Board Composition

The Board has three executive directors. The names, date of first appointment and status of the Company's directors are set out in the Directors' Report page 16. More details on the background qualifications and particular skills of these directors are provided in Qualifications, Experience and

Responsibilities of Directors

Director Independence

Directors are expected to bring independent views and judgment to the Board's deliberations. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate. The criteria used to assess independence are in our Board Charter which is available in investor section of the Company's website www.healthzone.com.au.

Using these criteria, the following Directors are deemed to be not independent:

- Mr Michael Ge Wu is a substantial shareholder in the Group.
- Mr Peter Roach is a director of Wild Food Natural Health Market Pty Limited in which the Group holds shares and options. Peter Roach is also a director of CenturCorp Retail Pty Limited which purchased goods from Healthzone Limited on commercial terms during the year.
- Mr Michael Jenkins is an executive of the Company.

Due to the Company being in an acquisition phase, it was deemed appropriate to have a higher proportion of executive directors.

Meetings of the Board

The Board meets formally on a monthly basis and on other occasions, as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings.

Retirement and Re-Election

The constitution of the Company requires at least one director to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual Genera! Meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years (or later than the third annual genera! meeting following their appointment) without submitting themselves for re-election.

Retiring directors may be eligible for re¬election by shareholders. The Nomination and Remuneration Committee (see below) is responsible for assessment of the needs of the Board for best governance of the Group and in determining whether retiring directors would appropriately fill these needs if re-elected. Details of responsibilities are outlined in the Committee Charter.

Committee of the Board

Included in the committees outlined above is a standing Audit and Remuneration Committee which assists the Board in the discharge of its responsibilities.

This committee reviews matters on behalf of the Board and makes recommendations for consideration by the entire Board. The charters for this committee is set out in the Corporate Governance Policy noted above.

Principle 3

Promote Ethical and Responsible Decision-Making

The Company has adopted principles of appropriate conduct for employees. Employees, executives and directors of the Company Group may not trade in the Company's shares whilst in possession of inside information and outside of specified trading windows as determined by the Board.

Through its oversight of Group activities, the Board ensures that best practice standards of ethics and integrity in all business dealings and operations are maintained, including the Company's interaction with its shareholders, employees, business partners, customers, suppliers and the community.

Refer investor section of the Company's website www.healthzone.com.au

Principle 4

Safeguarde Integrity in Financial Reporting

The Audit and Remuneration Committee monitors and reviews the effectiveness of the Company's control environment in the areas of operational risk, financial reporting and statutory compliance. The Committee advises and assists the Board to discharge its responsibility in exercising due care, diligence and skill in relation to:

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;

- assessing the consistency of disclosures in the financial statements with other disclosures made by the Group to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- evaluation of the Group's compliance and risk management structure and procedures, internal controls, corporate governance and ethical standards;
- review of business policies and practices;
- conduct of any investigation relating to financial matters, records or accounts, and to report those matters to the Board;
- protection of the Group's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines,

As part of the Group's commitment to safeguarding integrity in financial reporting, the Group has implemented procedures and policies to monitor the independence and competence of the Group's external auditors.

Appointment of Auditors
The Group's current externa! auditors are PKF Chartered Accountants and Business Advisors. The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Remuneration Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit and Remuneration Committee will then formalise a procedure and policy for the selection and appointment of new auditors. It is a requirement, given that the Company is listed on the ASX, that the audit engagement partners be rotated at least every five years.

Principle 5 & 6
Make Timely and Balanced Disclosure and Respect the Rights of Shareholders

The Board has established Group policies for Continuous Disclosure (including requirements for approval for release of information by the Group), so that Company announcements and presentations are released to the Australian Securities Exchange in a timely manner to promote effective communication with its shareholders.

In addition to its disclosure obligations under the ASX Listing Rules and Corporations Act 2001, the Group communicates with its shareholders through means including:

- annual and half-yearly reports;
- General Meeting presentations;
- shareholder updates released to the ASX, sent by email to shareholders and others who so request, and placed on the Group's website; and
- media releases, public announcements and investor briefings.

Where feasible, material disclosed and authorised by the Board, is posted to the Group's website.

The Group has a positive and formal strategy to communicate with shareholders and actively promote shareholder involvement in the Group. The Group aims to continue to increase and improve the information available to shareholders on its website. Company announcements, presentations are released to the Australian Securities Exchange. Consistent with ASX Principles the Group's auditors attend, and are available to answer questions at, the Group's Annual General Meetings.

Principle 7
Recognise and Manage Risk

The Group is committed to the identification, monitoring and management of risks associated with its business activities. As part of its management and reporting systems, the Group has established, a number of risk management controls. The Group has adopted a general Risk Management Statement addressing the profile of risks relevant to the Group given its operational context, which is supported by a set of internal procedures. Approval of detailed procedures and monitoring of their implementation has been delegated to the Audit and Remuneration Committee of the Board. In particular, the Group has approved delegations and limits for approval of expenditure and for incurring contractual obligations.

The Executives provide the Board with written statements that the integrity of the financial statements is founded on a sound system of risk management, compliance and control in accordance with Board policies. The risk profiie and risk management procedures of the Company are expected to change as the Company grows in size and complexity.

Principle 8
Remunerate Fairly and Responsibly

Audit and Remuneration Committee
Membership of this committee is Michael Ge Wu (Chairman and executive) and Peter Roach (executive).

The primary purpose of the Audit and Remuneration Committee is to support and report to the Board in fulfilling its responsibilities to shareholders in relation to:

- identification and appointment of directors and executives;
- executive remuneration policy;
- the remuneration of executive directors;
- the Company's recruitment, retention and termination policies and procedures;
- superannuation arrangements; and
- all bonus and equity-based plans.

The Group's remuneration policy and details of Director and executive remuneration are outlined in this report. The guiding principles of this policy are to balance operating efficiency with the need to retain sector leading personnel for enterprise growth.

As detailed under Principle 2, the Company has established an Audit and Remuneration Committee with responsibility for reviewing executive remuneration and the Company's remuneration policies in accordance with ASX guidelines.

Healthzone Limited

Income Statements

For the Year Ended 30 June 2009

	Notes	Consolidated 2009 $ '000	Consolidated 2008 $ '000	Parent Entity 2009 $ '000	Parent Entity 2008 $ '000
Revenue from continuing operations	5	103,932	63,723	11,494	11,234
Other income	5	524	-	524	-
Raw materials and consumables used		(81,886)	(48,900)	(5,807)	(5,586)
Freight expense		(1,827)	(889)	(12)	(1)
Employee benefits expense		(8,450)	(5,682)	(2,151)	(1,940)
Depreciation and amortisation expense	6	(198)	(112)	(102)	(83)
Professional and consulting expenses		(522)	(341)	(348)	(283)
Operating lease rental expenses	6	(2,846)	(2,418)	(1,540)	(1,626)
Selling and marketing expenses		(514)	(33)	(58)	(339)
Travel expenses		(307)	(109)	(93)	(45)
Interest and finance expenses	6	(2,616)	(1,297)	(1,708)	(360)
Other expenses		(1,661)	(828)	(556)	(399)
Share of net profits of associates accounted for using the equity method	30	24	28	24	28
Profit (loss) before income tax		**3,653**	**3,142**	**(333)**	**600**
Income tax benefit/(expense)	7(a)	(666)	(715)	644	53
Profit attributable to members of Healthzone Limited		**2,987**	**2,427**	**311**	**653**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic earnings per share	33	6.9 cents	6.6 cents		
Diluted earnings per share	33	6.9 cents	6.5 cents		

The above Income Statements should be read in conjunction with the accompanying Notes.

Healthzone Limited

Balance Sheets

For the Year Ended 30 June 2009

	Notes	Consolidated 2009 $ '000	Consolidated 2008 $ '000	Parent Entity 2009 $ '000	Parent Entity 2008 $ '000
ASSETS					
Current assets					
Cash and cash equivalents	8	2,420	6,787	375	5,662
Trade and other receivables	9	23,352	16,626	17,541	15,067
Inventories	10	6,530	6,423	962	1,149
Total Current Assets		**32,302**	**29,836**	**18,878**	**21,878**
Non-current assets					
Other receivables	9	3,000	3,000	3,000	3,000
Investments accounted for using the equity method	11	640	616	640	616
Property, plant and equipment	12	693	518	275	272
Deferred tax assets	7(c),13	2,115	1,353	1,704	971
Intangible assets	14	25,900	21,956	4,385	3,478
Other financial assets	15	76	116	6,498	4,555
Total Non-Current Assets		**32,424**	**27,559**	**16,502**	**12,892**
Total Assets		**64,726**	**57,395**	**35,380**	**34,770**
LIABILITIES					
Current liabilities					
Trade and other payables	16	26,136	19,704	4,337	1,407
Borrowings	17	2,316	3,551	2,314	3,551
Current tax liabilities	7(c)	251	752	-	547
Provisions	18	767	828	66	31
Total Current Liabilities		**29,470**	**24,835**	**6,717**	**5,536**
Non-current liabilities					
Trade and other payables	16	-	2,679	-	2,679
Borrowings	17	14,217	16,084	14,217	16,084
Deferred tax liabilities	7(c),19	1,322	87	739	34
Provisions	18	69	-	-	-
Total Non-Current Liabilities		**15,608**	**18,850**	**14,956**	**18,797**
Total Liabilities		**45,078**	**43,685**	**21,673**	**24,333**
Net Assets		**19,648**	**13,710**	**13,707**	**10,437**
EQUITY					
Contributed equity	20	12,566	9,607	12,566	9,607
Reserves	21	(31)	(23)	-	-
Retained profits	21	7,113	4,126	1,141	830
Total Equity		**19,648**	**13,710**	**13,707**	**10,437**

The above Balance Sheets should be read in conjunction with the accompanying Notes.

Healthzone Limited

Statements of Changes in Equity

For the Year Ended 30 June 2009

	Notes	Consolidated		Parent Entity	
		2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Total equity at the beginning of the financial year		**13,710**	**5,428**	**10,437**	**3,997**
Exchange differences on translation of foreign operations		(8)	68	-	-
Total income and expenses recognised for the period		2,987	2,427	311	653
Shares issued as consideration for business acquisition		2,733	-	2,733	-
Other shares issued net of transaction costs		226	5,787	226	5,787
Total equity at the end of the financial year		**19,648**	**13,710**	**13,707**	**10,437**

The above Statements of Changes in Equity should be read in conjunction with the accompanying Notes.

Healthzone Limited

Cash Flow Statements

For the Year Ended 30 June 2009

		Consolidated		Parent Entity	
	Notes	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Cash flows from operating activities					
Receipts from customers and licensee (inclusive of goods and services tax)		109,383	69,267	9,260	12,028
Payments to suppliers and employees (inclusive of goods and services tax)		(104,934)	(62,294)	(7,710)	(9,786)
Interest received		149	84	133	77
Interest and finance charge expenses		(2,132)	(1,118)	(1,626)	(292)
Income taxes paid		(62)	-	-	-
Net cash inflow from operating activities	32	2,404	5,939	57	2,027
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(409)	(288)	(113)	(86)
Payment for purchase of businesses		-	-	-	-
Payment for investment in wholly owned subsidiaries		(1,794)	(18,121)	(1,187)	(18,005)
Payment for investment in other related parties		-	(540)	-	(540)
Loans to related parties		-	(250)	-	(250)
Loans to wholly owned subsidiaries		-	-	-	2,519
Loans to other entities		-	(3,000)	-	(3,000)
Payment for purchase of intangibles		(1,357)	(474)	(757)	(164)
Proceeds from sale of property, plant and equipment		27	-	-	-
Net cash outflow from investing activities		(3,533)	(22,673)	(2,057)	(19,526)
Cash flows from financing activities					
Proceeds from issues of shares		-	6,000	-	6,000
Share issue transaction costs		(11)	(213)	(11)	(213)
Proceeds from borrowing		-	17,787	-	17,861
Repayment of borrowing		(3,276)	(1,549)	(3,276)	(1,549)
Net cash (outflow)/inflow from financing activities		(3,287)	22,025	(3,287)	22,099
Net (decrease)/increase in cash and cash equivalents		(4,416)	5,291	(5,287)	4,600
Cash and cash equivalents at the beginning of the financial year		6,787	1,429	5,662	1,062
Effects of exchange rate changes on cash and cash equivalents		49	68	-	
Cash and cash equivalents at the end of the financial year	8	2,420	6,787	375	5,662

The above Cash Flow Statements should be read in conjunction with the accompanying Notes.

HEALTHZONE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR TO 30 JUNE 2009

Note 1
Summary Of Significant Accounting Policies

Healthzone Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate parent entity in the Group. The consolidated financial report of the Company for the year ended 30 June 2009 comprises the Company and its controlled entities ("the Group").

The nature of operations and principal activities of the Group are described in the Directors' Report.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Healthzone Limited as an individual entity and the consolidated entity consisting of Healthzone Limited and its subsidiaries.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Healthzone Limited complies with the International Financial Reporting Standards.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical Accounting Estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of Consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Healthzone Limited (''Company" or ''parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Healthzone Limited and its subsidiaries together are referred to in this financial report 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.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(i)).

Inter-company 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 have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Healthzone Limited.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investment in associates 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 income statement, and its share of 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 income statement, 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 long term 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 associates are eliminated to the extent of the Group's interest in the associates.

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) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign Currency Translation

(i) Functional and Presentation and 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 Australian dollars, which is Healthzone Limited's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group Companies

The results and financial position of all the Group entities 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 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 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 any net investment in foreign entities are taken to shareholders equity.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue Recognition

Revenue from sales of goods is recognised upon delivery of goods to customers or their nominee. Delivery does not occur until the risks of obsolence and loss have transferred to the customer and either the customer has accepted the goods in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance has been satisfied. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income is recognised when received.

Royalty and licence income is calculated based on the sales of goods and is recognised when goods are sold to customers.

Contribution revenue from licensees is recognised when the conditions of such contribution are met.

(f) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(g) 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 notional income tax rate for each jurisdiction 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, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Tax Consolidation Legislation

Healthzone Limited and its wholly-owned Australian controlled entities are part of a tax-consolidated group. The parent entity, Healthzone Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Healthzone Limited recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.
Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidation entities.

(h) 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 are charged to the income statement on a straight line basis over the period of the lease.

Leases of property plant and equipment with the Group, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability of finance costs. The finance cost is charged to the income statement 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 the finance lease is depreciated over the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the of the lease term.

(i) Business Combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 - refer Note 1(q). If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other 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 inflows (cash generating units).

(k) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term 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.

(l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables have settlement terms of between 30 and 90 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

An allowance account (provision for impairment of trade 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 impairment allowance 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 impairment loss is recognised in the income statement with other expenses.

Trade receivables and payables are offset for the same account where appropriate.

(m) Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual inventory items on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

(n) Investments and Other Financial Assets

(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 reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(ii) Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group.

(iii) Available For Sale Financial Assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available for sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity in the available for sale investments revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold then for the medium to long term.

If the market for a financial asset is not active, the Group establishes fair value with reference to the fair values of recent arm's length transactions, involving similar instruments, discounted cash flow analysis and option pricing models in accordance with the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(o) Fair Value Estimation

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

The carrying value less impairment provision 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(p) Property, Plant and Equipment

Plant and equipment is stated at historical cost and is depreciated over its useful life using the straight-line method. Historical cost includes expenditure directly attributable to the acquisition of the items. The expected useful life for office furniture, information technology and store fixtures and fittings is 5 years and 5 - 8 years for motor vehicles. Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(q) Intangible Assets

(i) Goodwill

Goodwill represents the excess of a cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. 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.

(ii) Product Development Costs

Research expenditure is recognised as an expense as incurred. Costs on development projects (relating to design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overhead. Capitalised development costs are recorded as intangible assets and amortised from the year following completion of development over seven years. The balance are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(iii) Software Development Costs

Costs incurred in developing systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include costs of materials and service, related to the project.

(r) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade receivables and payables are offset for the same account where appropriate.

(s) 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 income statement 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 for at least 12 months after the balance sheet date.

(t) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in provision for employee benefits 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.

(ii) 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.

(iii) Retirement Benefit Obligations

The Group contributes the required statutory superannuation rate (currently 9%) on behalf of employees to licensed superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Profit Sharing and Bonus Plans
The Group recognises a liability and an expense for bonuses annually on assessment of employee performance. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(u) Share-Based Payments
Share based compensation benefits are provided to personnel via the Healthzone Executive Option Plan. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, impact of dilution, non tradable nature of options, the share price at grant date and expected price volatility of underlying share, the expected dividend yield and the risk free interest rate for the term of the options.

The fair value of the options granted excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account most recent estimates. The market value of shares issued to employees for non cash consideration to be recognised as employee benefits expense with a corresponding increase in equity when the employees become entitled to shares.

Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(v) Contributed Equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

(w) Earnings per Share
(i) Basic Earnings Per Share
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings Per Share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) GST
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities.

(y) New Accounting Standards and Interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3
Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)
AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption

Notes to the Financial Statements (continued)

of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009) The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8
Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009) The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009). AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3. Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009) The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(i) above. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy. The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009). In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009).
AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions. The Group intends to apply the interpretation from 1 July 2009. AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

(viii) AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).
AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

(ix) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009).
AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(Z) Rounding of Amounts

The Company is of a class referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to rounding off of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars, in accordance with the class order.

(Za) Change in Accounting Policy

The accounting policy in relation to the treatment of "pay as sell" goods was changed during the year. Previously, pay as sell goods where recognised as inventory on receipt of the goods from the supplier. Healthzone has undertaken a review of agreements with pay as sell suppliers during the year and has determined that the goods are consignment in nature in that the risks and rewards of ownership of the goods do not pass to Healthzone when these goods are received. Healthzone has amended its accounting policy accordingly to better reflect the terms and conditions of supplier agreements.

The effect of this amendment is to reduce the balances of inventory and trade creditors as at 30 June 2008 and 30 June 2009 by $2,449 thousand and $2,543 thousand respectively. The 2008 comparative figures contained in this financial report have been amended accordingly.

(Zb) Change In Comparatives

When required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

The Group has reviewed the treatment of costs in bringing inventory to its location and condition. As a result of this review, an amount $268 thousand was identified as being incorrectly applied to inventory in the financial statements for the year ended 30 June 2008, which should have been expensed as cost of sales. As a result retained earnings were overstated by $268 thousand.

The effect on basic earnings per share (EPS) was to reduce it from 7.4 cents to 6.6 cents and the effect on diluted EPS was to reduce it from 7.3 cents to 6.5 cents.

This has been corrected by restating the Balance Sheet for year ended 30 June 2008, (refer to page 4 of this report) and related Notes.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity 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. The Group uses different methods to measure different types of risk including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

The Board provides written principles of management and policies for specific matters, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity, which are outlined below:

(a) Market Risk

(i) Foreign Exchange Risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi (RMB) and the US Dollar (USD).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group derives revenues denominated in RMB and incurs expenses which are denominated in RMB and USD. The Group monitors its exposure to foreign currency fluctuations periodically. The Group hedges its their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2009 $'000	2008 $'000
Financial assets:		
Cash and cash equivalents (RMB)	486	580
Trade and other receivables (RMB)	1,628	1,406
	2,114	1,986
Financial liabilities:		
Trade and other payables (RMB and USD)	1,785	114

Group Sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar strengthened/ weakened by 5% against the RMB with all variables held constant, the Group's post-tax profit for the year would have been $40 thousand higher / lower (2008: $65 thousand higher / lower). Had the Australian dollar strengthened/ weakened by 5% against the USD with all variables held constant, the Group's post-tax profit for the year would have been $114 thousand higher / lower (2008: nil higher / lower), mainly as a result of foreign exchange gains/losses on translation of financial instruments as detailed in the above table.

Parent Entity Sensitivity

The parent entity's foreign exchange risk is nil as the parent entity's future commercial transactions recognised assets and liabilities, revenue and expenses are denominated in Australian dollars.

(ii) Interest Rate Risk

The Group's main 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. During 2009 and 2008, the Group's borrowing at variable rate were denominated in Australian Dollars.

A policy to maintain a percentage of borrowings in fixed rate instruments has been implemented. As at the reporting date, the Group had the following variable rate borrowings:

	2009		2008	
	Weighted Average Interest Rate	Balance $'000	Weighted Average Interest Rate	Balance $'000
Commercial bills	5.95%	6,611	8.10%	8,111
Trade instruments	5.80%	7,534	9.90%	4,632

As at the reporting date, the parent entity had the following variable rate borrowings:

	2009		2008	
	Weighted Average Interest Rate	Balance $'000	Weighted Average Interest Rate	Balance $'000
Commercial bills	5.95%	6,611	8.10%	8,111

The Group and parent entity analyses its interest rate exposure on a dynamic basis. Various scenarios (for liabilities that represent the major interest-bearing positions) are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group and parent entity calculates the impact on profit and loss of a defined interest rate shift. The simulation is done a number of times a year to verify that the maximum loss potential is within the limit given by management. The Group does not enter into to any interest rate swaps to hedge the fair value of the interest rate risk.

Group Sensitivity

At the 30 June 2009, if interest rates had changed by -/+ 50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year and equity would have been $ 51 thousand higher/lower (2008: change of 50 basis points: $44 thousand higher/lower).

Parent Entity Sensitivity

The parent entity's main interest rate risk arises from commercial bills with variable interest rates. At 30 June 2009, if interest rates had changed by -/+ 50 basis points from the year-end rates with all other variables held constant, post-tax profit would have been $23 thousand higher/lower (2008: change of 50 basis points: $28 thousand higher/lower).

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

The Group has policies in place for provision of sales of products to customers that limit the amount of credit exposure to any one entity. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash and credit cards. The average credit period on sale of goods and rendering services is 60 days. No interest is charged on overdue debtors. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods determined by reference to past default experience. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external ratings (if available) or to historical information about counter party default rates. The Group has entered into credit insurance for the majority of its trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets as detailed below:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade and other receivables				
New customers	1,506	877	6	2,562
Existing customers with no defaults	17,215	13,116	15,756	12,376
Existing customer with some defaults	4,631	2,633	1,779	129
Sub-total	23,352	16,626	17,541	15,067
Other cash at bank and short term deposits	2,420	6,787	375	5,662
Loans to other entities	3,000	3,000	3,000	3,000
Investments accounted for using the equity method	640	616	640	616
Other financial assets	76	116	6,198	4,555

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through sufficient committed credit facilities. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial asset and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by maintaining credit lines with counter parties.

Financing Arrangements

The Group and the parent entity had access to the following undrawn facilities at the reporting date:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Variable rate				
Trade facilities	1,466	1,368	-	-

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Maturities of Financial Liabilities

Tabled below are the Group's and the parent entity's financial liabilities, classified by contractual period. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less Than 6 Months $ '000	6-12 Months $ '000	Between 1 and 2 Years $ '000	Between 2 and 5 Years $ '000	Over 5 Years $ '000	Total Contractual Cash Flows $ '000	Carrying Amount (Assets)/ Liabilities $ '000
Group 30/06/2009 Amount	1,549	1,838	3,530	13,403	-	20,320	16,353
Group 30/06/2008 Amount	2,688	2,602	4,932	14,315	-	24,537	19,625
Parent 30/06/2009 Amount	1,549	1,838	3,530	13,403	-	20,320	16,353
Parent 30/06/2008 Amount	2,688	2,602	4,932	14,315	-	24,537	19,625

(d) Fair Value Estimation

The fair value of financial assets and liabilities is estimated for recognition, measurement and disclosure purposes. The fair value of financial instruments that are not traded in active markets (for example investments in unlisted subsidiaries) is determined by valuation methods assumptions based on market conditions at each balance date such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values due to their short term nature. 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 3 Critical Accounting Estimates And Judgements

The Directors evaluate estimates and judgements incorporated in the Financial Report based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The following key assumptions have been made concerning the future and other key sources of estimation at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Impairment of Intangible Assets

The Group tests annually whether intangibles have suffered any impairment, in accordance with the accounting policy stated in Note 1(j).The recoverable amounts of cash generating units have been determined based on value in use calculations.

Refer to Note 14 for details on intangible assets value-in-use calculations and management assessment of key assumptions.

Valuation-in-use calculations use cash flow projections based on financial budgets approved by management using a five year period. Should the projections prove incorrect then adjustments may need to be made for impairment losses in respect of intangibles.

b) Impairment of Allowance of Trade And Other Receivables

The Group undertakes a detailed analysis of trade receivables on a monthly basis and writes off those debtors which it considers not recoverable and makes an impairment provision for those where recovery is considered doubtful.

c) Business Combinations

As at year end, the Group has consideration outstanding for the acquisitions of the businesses of Jasham International Pty Ltd, Alexem and ProHair. The estimates for the amounts payable to vendors have been based on profit projections prepared by management. Should the projections prove incorrect then adjustments will need to be made to the corresponding goodwill recognised on acquisition of these businesses and the final payments made to vendors in future periods.

d) Income Taxes

The Group recognises deferred tax assets and liabilities 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.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses were based on tax loss utilisation projections. Should the Group derive future assessable income materially different to the projected or there are adverse changes in tax legislation, the balance of deferred tax assets recognised may change.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 4 Segment Information

(a) Primary Reporting – Business Segments

The primary segments within which the consolidated entities operate are (a) retailing of vitamins and health supplements and (b) production and wholesale of fragrances and health and beauty products. For primary reporting purposes the entity operates in the business segments described above.

2009	Wholesale $ '000	Retail $ '000	Intersegment Eliminations/ Unallocated $ '000	Consolidated $ '000
Revenue				
Sales of goods	91,201	8,179	-	99,380
Intersegment sales	4,107	-	(4,107)	-
Total sales revenue	**95,308**	**8,179**	**(4,107)**	**99,380**
Other revenue	503	4,049	-	4,552
Intersegment sales	1,445	-	(1,445)	-
Total revenue	**97,256**	**12,228**	**(5,552)**	**103,932**
Results				
Segment result	1,011	2,642	-	3,653
Unallocated revenue less unallocated expenses	1,501	-	(1,501)	-
Profit before income tax	**2,512**	**2,642**	**(1,501)**	**3,653**
Income tax expense				(666)
Profit for the year				2,987
Assets				
Segment assets	54,993	5,192	-	60,185
Unallocated assets	-	-	4,541	4,541
Total assets	**54,993**	**5,192**	**4,541**	**64,726**
Segment liabilities				
Segment liabilities	49,284	386	-	49,670
Unallocated liabilities	-	-	(4,592)	(4,592)
Total liabilities	**49,284**	**386**	**(4,592)**	**45,078**
Other segment information				
Investment in associate (Note 11)	-	640	-	640
Share of net profits of associate	-	24	-	24
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,038	14	-	4,052
Depreciation and amortisation expense	119	79	-	198
Cash flow information				
Net cash inflow from operating activities	1,432	972	-	2,404
Net cash outflow from investing activities	(3,519)	(14)	-	(3,533)
Net cash outflow from financing activities	(2,465)	(822)	-	(3,287)

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

2008	Wholesale $ '000	Retail $ '000	Intersegment Eliminations/ Unallocated $ '000	Consolidated $ '000
Revenue				
Sales of goods	51,346	8,807	-	60,153
Intersegment sales	1,851	-	(1,851)	-
Total sales revenue	**53,197**	**8,807**	**(1,851)**	**60,153**
Other revenue	2,169	1,401	-	3,570
Total revenue	**55,366**	**10,208**	**(1,851)**	**63,723**
Results				
Segment result	2,550	797	-	3,347
Unallocated revenue less unallocated expenses	-	-	(205)	(205)
Profit before income tax	**2,550**	**797**	**(205)**	**3,142**
Income tax expense				(715)
Profit for the year				2,427
Assets				
Segment assets	51,639	4,849	-	56,488
Unallocated assets	-	-	907	907
Total assets	**51,639**	**4,849**	**907**	**57,395**
Segment liabilities				
Segment liabilities	28,906	929	-	29,835
Unallocated liabilities	-	-	13,850	13,850
Total liabilities	**28,906**	**929**	**13,850**	**43,685**
Other segment information				
Investment in associate (Note 11)	-	616	-	616
Share of net profits of associate	-	28	-	28
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	279	57	-	336
Depreciation and amortisation expense	48	64	-	112
Cash flow information				
Net cash inflow from operating activities	5,070	869	-	5,939
Net cash outflow from investing activities	(22,616)	(57)	-	(22,673)
Net cash outflow from financing activities	22,025	-	-	22,025

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(b) Secondary Reporting Format – Geographical Segments

Segment revenues are allocated based on the country in which customers are located. Segment assets and capital expenditure are allocated based on where the assets are located.

	Segment Revenue By Location Of Customer		Segment Assets By Location Of Assets		Acquisitions Of Property, Plant And Equipment, Intangibles And Other Non-Current Segment Assets	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Australia	101,830	60,140	62,338	56,133	3,986	23,102
China*	3,492	4,255	2,388	2,169	66	13
Other	-	67	-	-	-	-
Total	**105,322**	**64,462**	**64,726**	**58,302**	**4,052**	**23,115**
Less intersegment	(1,390)	(739)	-	(907)	-	-
Consolidated	**103,932**	**63,723**	**64,726**	**57,395**	**4,052**	**23,115**

*Segment revenue for China compared to year ended 2008 has been affected by a changes in the Australian dollar.

Note 5 Revenue

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Sales revenue				
Sales of goods to external customers	98,317	60,001	8,248	8,765
Sales of goods to wholly owned subsidiaries	-	-	1,065	31
Sales of goods to other related parties	1,063	152	-	-
Total sales revenue	**99,380**	**60,153**	**9,313**	**8,796**
Other revenue				
Royalty fees from wholly owned subsidiary	-	-	-	739
Licence revenue and master franchise revenue	3,177	1,567	-	1,567
Interest income from financial intitutions	149	77	133	70
Interest income from other parties	411	7	411	7
Dividend income	-	-	1,390	-
Other revenue	815	1,919	247	55
Total other revenue	**4,552**	**3,570**	**2,181**	**2,438**
Total revenue	**103,932**	**63,723**	**11,494**	**11,234**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Other income				
Foreign exchange gains	405	-	405	-
Receipt from insurance claim	119	-	119	-
Total other income	**524**	**-**	**524**	**-**

Note 6 Expenses

Profit before income tax expense includes the following specific expenses:

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Profit before income tax expense includes the following specific expenses:				
Depreciation				
Fittings & fixtures	51	49	47	46
Plant & office equipment	115	45	37	29
Information Technology	20	9	18	8
Motor vehicles	12	9	-	-
Total depreciation	**198**	**112**	**102**	**83**
Rental expenses relating to operating leases	2,846	2,418	1,540	1,626
Interest and finance charge expenses	2,616	1,297	1,708	360
Superannuation expense	621	427	134	139
Impairment losses – financial assets:				
Trade and other receivables	53	-	-	-
Inventory	63	-	-	-

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 7 Income Tax

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
(a) Income tax expense / (benefit)				
Current Tax	227	572	(791)	193
Deferred Tax Assets	(444)	315	(415)	54
Deferred Tax Liability	1,235	12	705	(15)
Adjustments for current tax of prior periods	(352)	(184)	(143)	(285)
	666	**715**	**(644)**	**(53)**
Income tax expense / (benefit) is attributable to:				
Profit from continuing operations	666	715	(644)	(53)
Aggregate income tax expense / (benefit)	**666**	**715**	**(644)**	**(53)**

	Consolidated		Parent Entity	
(b) Numerical reconciliation of income tax expense to prima facie tax payable	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
The prima facie income tax expense / (benefit) on pre-tax accounting profit reconciles to the income tax expense / (benefit) in the financial statements as follows:				
Profit from continuing operations before income tax expense / (benefit)	3,653	3,142	(333)	600
Tax at the Australian tax rate of 30% (2008- 30%)	1,096	942	(100)	180
Difference in overseas tax rate	(108)	(137)	-	-
Adjustment to prior year income tax return	(352)	(184)	(143)	(285)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Non-assessable dividends received from subsidiaries	-	-	(417)	-
Non-deductible expenses	30	94	16	52
Income tax expense / (benefit)	**666**	**715**	**(644)**	**(53)**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
(c) Temporary differences				
Temporary differences relating to expenses not immediately deductible for tax purposes:				
- employee provisions	837	801	66	31
- other provisions	105	184	71	-
- legal fees and other	382	552	382	552
- property, plant and equipment	359	202	-	-
- accrued expenses	391	183	185	67
Total temporary differences	**2,074**	**1,922**	**704**	**650**
Deferred tax assets relating to the above temporary differences at 30%	622	577	211	195
Deferred tax assets relating to tax losses	1,493	776	1,493	776
Total deferred tax assets	**2,115**	**1,353**	**1,704**	**971**
Temporary differences relating to income not immediately assessable for tax purposes:				
- Accrued income	3,061	290	1,622	113
- Intangibles: product and software development	1,344	-	840	-
Total temporary differences	**4,405**	**290**	**2,462**	**113**
Deferred tax liability relating to the above temporary differences at 30%	**1,322**	**87**	**739**	**34**
(d) Current tax liabilities				
Provisions for income tax	251	752	-	547

(e) Tax Consolidation Legislation

Healthzone Limited and its wholly-owned Australian controlled entities adopted the tax consolidation legislation from 1 July 2007. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing arrangement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Healthzone Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Healthzone Limited for any current tax payable assumed and are compensated by Healthzone Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Healthzone Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 8 Current Assets – Cash and Cash Equivalents

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Cash at bank and on hand	2,420	6,787	375	5,662

The Group's and the Parent Entity's exposure to interest rate risk and foreign currency is discussed in Note 2.

Note 9 Trade and Other Receivables

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
Trade receivables	17,306	12,108	1,778	428
Receivables from subsidiaries in wholly owned group	-	-	13,241	12,672
Receivables from directors' related parties	2,069	1,256	313	605
Government grant (EMDG) receivable	210	352	135	178
Receivable from master franchise agreement	1,500	-	-	-
Other receivables and prepayments	2,267	2,910	2,074	1,184
Total	**23,352**	**16,626**	**17,541**	**15,067**
Non-Current				
Loans to other parties (1)	3,000	3,000	3,000	3,000
Total	**3,000**	**3,000**	**3,000**	**3,000**

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

(a) Impaired Trade Receivables

As at 30 June 2009, current trade receivables of the Group with a nominal value of $29 thousand (2008: $117 thousand) were impaired. The amount of the provision was $29 thousand (2008: $117 thousand). The individually impaired receivables mainly relate to franchisees of Health Minders Pty Ltd, in the context of FY09 economic condition. There were no impaired trade receivables for the parent company, Healthzone Limited, in 2009 or 2008.

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
60 – 90 days	-	-	-	-
Over 90 days	29	117	-	-
	29	117	-	-

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Balance at the beginning of the year	117	-	-	-
Allowance for impairment recognised during the year	110	261	-	-
Receivables written off during the year as uncollectable	(198)	(144)	-	-
Balance at the end of the year	29	117	-	-

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(b) Past Due But Not Impaired

As of 30 June 2009, consolidated trade receivables of $5.2 million (2008: $3.5 million) were past due but not impaired. The average credit period on sale of goods is 60 days. All trade receivable balances greater than 60 days are considered past due. These balances past due but not impaired relate to a number of independent customers for whom there is no recent history of default and there has been no significant change in the credit quality of these customers. The group has an established process of credit reference checking. The Group does not hold any collateral over these balances and no interest is charged on past due balances. The average age of these receivables is 131 days (2008: 98 days). The ageing of receivables past due but not impaired is as follows:

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
60 – 90 days	1,740	1,214	33	-
Over 90 days	3,506	2,385	1,779	377
Total past due	**5,246**	**3,599**	**1,812**	**377**

(c) Foreign Exchange, Interest Rate Risk, And Credit Risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the directors believe that no further allowance required for impairment of receivables at 30 June 2009.

(d) Fair Value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Note 10 Current Assets – Inventories

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Finished goods, at net realisable value	6,530	6,423	962	1,149

Refer to Note 16 for details on inventory pledged as security against borrowings.

Note 11 Non-Current Assets – Investments Accounted For Using The Equity Method

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Shares in associate (Note 30)	640	616	640	616

Note 12 Non-Current Assets – Property, Plant And Equipment

Consolidated 2009	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	250	651	67	73	1,041
Accumulated depreciation	(124)	(172)	(32)	(20)	(348)
Carrying amount	126	479	35	53	693
Movement					
Carrying amount at 1 July 2008	174	279	18	47	518
Additions	9	318	37	44	408
Disposals	(6)	(3)	-	(26)	(35)
Depreciation expense (Note 6)	(51)	(115)	(20)	(12)	(198)
Carrying amount at 30 June 2009	126	479	35	53	693

Refer to Note 17 for details on plant and equipment pledged as security against borrowings.

Consolidated 2008	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	251	338	30	56	675
Accumulated depreciation	(77)	(59)	(12)	(9)	(157)
Carrying amount	174	279	18	47	518
Movement					
Carrying amount at 1 July 2007	196	88	13	-	297
Additions	28	238	14	13	293
Additions from business acquisitions	-	-	-	43	43
Disposals	(1)	(2)	-	-	(3)
Depreciation expense (Note 6)	(49)	(45)	(9)	(9)	(112)
Carrying amount at 30 June 2008	174	279	18	47	518

Refer to Note 17 for details on property, plant and equipment pledged as security against borrowings.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Parent Entity 2009	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	236	197	61	-	494
Accumulated depreciation	(116)	(77)	(26)	-	(219)
Carrying amount	120	120	35	-	275
Movement					
Carrying amount at 1 July 2008	164	92	16	-	272
Additions	9	67	37	-	113
Additions from business acquisitions	-	-	-	-	-
Disposals	(6)	(2)	-	-	(8)
Depreciation expense (Note 6)	(47)	(37)	(18)	-	(102)
Carrying amount at 30 June 2009	120	120	35	-	275

Refer to Note 17 for details on plant and equipment pledged as security against borrowings.

Parent Entity 2008	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	236	133	25	-	394
Accumulated depreciation	(72)	(41)	(9)	-	(122)
Carrying amount	164	92	16	-	272
Movement					
Carrying amount at 1 July 2007	182	76	10	-	268
Additions	28	46	14	-	88
Additions from business acquisitions	-	-	-	-	-
Disposals	-	(1)	-	-	(1)
Depreciation expense (Note 6)	(46)	(29)	(8)	-	(83)
Carrying amount at 30 June 2008	164	92	16	-	272

Refer to Note 17 for details on plant and equipment pledged as security against borrowings.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 13 Non-Current Assets – Deferred Tax Assets

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
The balance comprises temporary differences attributable to:				
- Employee provisions	251	240	20	9
- Legal and other fees	115	166	115	166
- Property, plant and equipment	108	60	-	-
- Accrued expenses	117	55	55	20
- Tax losses	1,493	776	1,493	776
- Other provisions	31	56	21	-
	2,115	**1,353**	**1,704**	**971**
Movements				
Opening balance	1,353	103	971	34
Reclassification of tax losses recognised as at 30 June 2008	318	-	318	-
Deferred tax losses of Health Minders Pty Ltd on acquisition - refer note 27(a)	-	1,565	-	1,565
Reversal of assumption of tax losses /(assumption of tax losses) from consolidated entities	-	-	-	(574)
Credited to the income statement	444	(315)	415	(54)
Closing balance	**2,115**	**1,353**	**1,704**	**971**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 14 Non-Current Assets – Intangible Assets

	Goodwill	Product Development	Information Technology Development	Total
Consolidated	$'000	$'000	$'000	$'000
At 1 July 2007				
Cost	3,605	-	-	3,605
Accumulated amortisation and impairment	-	-	-	-
Net book amount	3,605	-	-	3,605
Year ended 30 June 2008				
Opening net book amount	3,605	-	-	3,605
Additions	17,877	412	62	18,351
Closing net book amount	**21,482**	**412**	**62**	**21,956**
At 30 June 2008				
Cost	21,482	412	62	21,956
Accumulated amortisation and impairment	-	-	-	-
Net book amount	21,482	412	62	21,956
At 1 July 2008				
Cost	21,482	412	62	21,956
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**21,482**	**412**	**62**	**21,956**
Year ending 30 June 2009				
Opening net book amount	21,482	412	62	21,956
Additions*	2,587	998	359	3,944
Closing net book amount	**24,069**	**1,410**	**421**	**25,900**
At 30 June 2009				
Cost	24,069	1,410	421	25,900
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**24,069**	**1,410**	**421**	**25,900**

*See Note 27 for additions to Goodwill.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Parent Entity	Goodwill $ '000	Product Development $ '000	Information Technology $ '000	Total $ '000
At 1 July 2007				
Cost	3,301	-	-	3,301
Accumulated amortisation and impairment	-	-	-	-
Net book amount	3,301	-	-	3,301
Year ended 30 June 2008				
Opening net book amount	3,301	-	-	3,301
Additions	13	144	20	177
Closing net book amount	3,314	144	20	3,478
At 30 June 2008				
Cost	3,314	144	20	3,478
Accumulated amortisation and impairment	-	-	-	-
Net book amount	3,314	144	20	3,478
At 1 July 2008				
Cost	3,314	144	20	3,478
Accumulated amortisation and impairment	-	-	-	-
Net book amount	3,314	144	20	3,478
Year ended 30 June 2009				
Opening net book amount	3,314	144	20	3,478
Additions	150	697	60	907
Closing net book amount	3,464	841	80	4,385
At 30 June 2009				
Cost	3,464	841	80	4,385
Accumulated amortisation and impairment	-	-	-	-
Net book amount	3,464	841	80	4,385

(a) Impairment Tests for Goodwill

Goodwill is allocated by cash-generating unit (CGU) which are based on the Group's business segments. For impairment testing purposes, goodwill has been allocated to two business segments being Retail and Wholesale.

Goodwill by business segment is summarised below:

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $
Carrying amount of goodwill:				
- Retail	2,838	2,541	2,838	2,541
- Wholesale	21,231	18,941	626	773
	24,069	**21,482**	**3,464**	**3,314**

The recoverable amount of each CGU is determined by value-in-use calculations, which are based on the present value of forcast cash flow for five years.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

The recoverable amount of each cash-generating unit (CGU) is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections based on forecasts over a five year period.

(b) Key Assumptions Used for The Value-In-Use Calculations

The key assumptions used in the value in use calculation for the CGU are as follows:

- Sales are expected to grow at an annual rate of 5%;
- Operating expenses are forecast to grow at 3%; and
- A discount factor of 11.8% (2008 11.5%) was applied in the calculations.

The Company believes that any reasonable changes in these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. These assumptions are based on a combination of past experiences and best estimates of likely future results. The period over which management has projected cash flows is an initial 5 year period plus a terminal value of a further 5 years. Management does not consider a change in any of the key assumptions to be reasonably possible for the retail CGU at the date of this report.

Note 15 Non-Current Assets – Other Financial Assets

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Other investments				
Investments in wholly owned subsidiaries at cost	-	-	6,422	4,412
Other	76	116	76	43
Total other investments	**76**	**116**	**6,498**	**4,555**

Unlisted investments are traded in inactive market. Their fair value is determined based on the present value of net cash inflows from expected future interest of dividends and subsequent disposal of the investments. The present value of net cash inflows is not discounted.

Note 16 Trade And Other Payables

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
Trade creditors	14,347	10,072	692	1,161
Other creditors and accrued expenses	4,255	5,000	3,645	246
Trade instruments	7,534	4,632	-	-
Total current	**26,136**	**19,704**	**4,337**	**1,407**
Non-current				
Trade and other payables	-	2,679	-	2,679

The Group's and the Parent Entity's exposure to foreign exchange risk is discussed in Note 2. As at 30 June 2009 trade and other payables for the Group included trade instruments by which the Group received cash in lieu of collections of trade receivables (see Note 17(b) for details of security).

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 17 Borrowings

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
Secured liabilities				
Financial leases	179	5	177	5
Commercial bills	2,137	3,546	2,137	3,546
Total current borrowings	**2,316**	**3,551**	**2,314**	**3,551**
Non-current				
Secured liabilities				
Financial leases	-	5	-	5
Commercial bills	14,217	16,079	14,217	16,079
Total non-current borrowings	**14,217**	**16,084**	**14,217**	**16,084**

(a) Commercial Bills

The loan facilities are repayable in installments per quarter and expire as follows: $1.9 million in August 2011, $9.7 million in October 2012 and $4.7 million in June 2013. The interest rate on facilities of $9.7 million is fixed at 9.8% until October 2012 and the interest rate on facilities of $6.6 million 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 30 June 2009.

(b) Security Disclosures

The borrowings and trade instruments of the Group are secured by a registered mortgage over the assets of Healthzone Limited, Bod International Pty Limited, Healthminders Pty Limited, Healthminders International Pty Limited, Jasham International Pty Limited Healthminders (WA) Pty Limited, Discount Vitamin Centres Pty Limited, Healthminders Milperra Pty Limited, Phytomedical Research Pty Limited, Super Boost Effervescent Pty Limited, Newco (Victoria) Pty Limited and Aurinda Natural Foods Pty Limited. Aurinda Natural Foods Pty Limited is a company related to Michael Ge Wu.

(c) Risk Exposures

The Group's and the Parent Entity's exposure to interest rate risk is discussed in Note 2.

Note 18 Provisions

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current provision for employee entitlements	767	828	66	31
Non-current provision for employee entitlements	69	-	-	-
Total	**836**	**828**	**66**	**31**
Movements				
Carrying amount at start of financial year	828	25	31	23
Amounts used during the year	(342)	(442)	(15)	(24)
Charged to the income statement	350	1,245	50	32
Carrying amount at the end of the year	836	828	66	31

Note 19 Non-Current Liabilities – Deferred Tax Liabilities

	Consolidated		Parent Entity	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
The balance comprises temporary differences attributable to:				
- Accrued income	919	87	487	34
- Intangibles: product and software development	403	-	252	-
Total	**1,322**	**87**	**739**	**34**
Movements				
Opening balance	87	75	34	45
Charged to the income statement	1,235	12	705	(11)
Closing balance	**1,322**	**87**	**739**	**34**
Deferred tax liabilities to be settled within 12 months	1,258	87	675	34
Deferred tax liabilities to be settled after more than 12 months	64	-	64	-
Total	**1,322**	**87**	**739**	**34**

Note 20 Contributed Equity

	Parent Entity		Parent Entity	
	2009 Shares	2008 Shares	2009 $ '000	2008 $ '000
Share capital				
Fully paid ordinary shares	47,049,950	40,923,469	12,566	9,607

Movements	Details	Number of Shares	Issue Price	$ '000
Opening balance 1 July 2007		**30,923,469**		**3,820**
4 December 2007	Share issue	10,000,000	60.00 cents	6,000
4 December 2007	Share issue costs			(213)
Total movements		10,000,000		5,787
Opening balance 1 July 2008		40,923,469		9,607
30 September 2008	Share issue	470,000	50.00 cents	235
25 November 2008	Share issue	10,000	23.50 cents	2
10 February 2009	Share issue	5,646,481	48.41 cents	2,733
	Share issue costs			(11)
Total movements		**6,126,481**		**2,959**
Closing balance 30 June 2009		**47,049,950**		**12,566**

(a) Ordinary Shares

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 amount paid on the shares held.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

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) Capital Risk Management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell shares to reduce debt.

The Group and the parent entity monitor capital on the basis of the gearing ratios. This ratio is calculated as time-weighted net debt (total borrowing less cash and cash equivalents) divided by EBITDA (earnings before interest, tax, depreciation and amortisation). The Group's strategy is to maintain weighted Debt/EBITDA at less than 3.75 times. The weighted Debt/EBITDA ratio for the Group was 2.5 times for the year ended 30 June 2009 (2008: 2.3 times) .

Note 21 Reserves and Retained Profits

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
(a) Foreign currency translation reserve				
Balance at the beginning of the financial year	(23)	(91)	-	-
Net exchange differences on translation of foreign controlled entity	(8)	68	-	-
Balance at the end of the financial year	(31)	(23)	-	-
(b) Retained profits				
Retained profits at the beginning of the financial year	4,126	1,699	830	177
Profit for the financial year	2,987	2,427	311	653
Retained profits at the end of the financial year	**7,113**	**4,126**	**1,141**	**830**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 22 Key Management Personnel Disclosures

The following persons were directors of Healthzone Limited during the financial year.

(a) Directors

Peter Roach (Chairman)	Executive & Marketing
Michael Ge Wu	Executive
Robert Dulhunty	Non-executive
Terry Cuthbertson	Non-executive

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Michael Jenkins	Chief Financial Officer	Healthzone Limited
Michael Barwick	General Manager Jasham	Jasham International Pty Limited
Matthew Jinks	General Manager Operations	Health Minders Pty Limited
Geoff Sainsbury	General Manager Retail	Health Minders Pty Limited
Michael Trevaskis	General Manager Sales	Health Minders Pty Limited

(c) Key Management Personnel Compensation

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
Short-term employee benefits	760	370	150	222
Post employment benefits	62	26	13	13
	822	**396**	**163**	**235**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(i) Option Holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Healthzone Limited and other key management personnel of the Group, including their personally related parties are set out below.

Name	Balance At The Start Of The Year '000	Granted As Compensation '000	Exercised During The Year '000	Lapsed '000	Balance At The End of The Year '000	Vested And Exercisable At The End Of The Year '000
2009						
Directors of Healthzone Limited						
Mr Peter Roach	470	-	(470)	-	-	-
Total directors' option holding	**470**	**-**	**(470)**	**-**	**-**	**-**
Non - key management personnel of the Group						
Other	30	-	-	(30)	-	-
2008						
Directors of Healthzone Limited						
Mr Peter Roach	100	-	-	370	470	470
Mr Michael Ge Wu	270	-	-	(270)	-	-
Total directors' option holding	**370**	**-**	**-**	**100**	**470**	**470**
Other key management personnel of the Group						
Ms Sandra Norris	100	-	-	(100)	-	-
Non - key management personnel of the Group						
Other	30	-	-	-	30	30

(ii) Share Holdings

The numbers of shares in the Company held during the financial year by each director of Healthzone Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Name	Balance At The Start Of The Year	Purchased	Other Changes During The Year	Balance At The End Of The Year
2009				
Directors of Healthzone Limited				
Ordinary shares				
Mr Michael Ge Wu	9,541,825	-	-	9,541,825
Mr Terry Cuthbertson	50,000	-	-	50,000
Mr Robert Dulhunty	435,515	262,000		697,515
Total directors' share holdings	10,027,340	262,000	-	10,289,340
Other key management personnel of the Group				
Ordinary shares				
Mr Michael Jenkins	-	76,600	-	76,600
Mr Michael Barwick	-	1,000	-	1,000
Mr Matthew Jinks	-	1,000	-	1,000
Mr Michael Trevaskis	50,000	-	-	50,000
Mr Geoffrey Sainsbury	-	1,000	-	1,000
Total key management personnel share holdings	**50,000**	**79,600**	**-**	**129,600**
2008				
Directors of Healthzone Limited				
Ordinary shares				
Mr Terry Cuthbertson	50,000	-	-	50,000
Mr Robert Dulhunty	331,015	104,500	-	435,515
Mr Michael Ge Wu	9,541,825	-	-	9,541,825
Total directors' share holdings	**9,922,840**	**104,500**	**-**	**10,027,340**
Other key management personnel of the Group				
Ordinary shares				
Mr Guy Robertson	30,000	-	-	30,000
Total key management personnel share holdings	**30,000**	**-**	**-**	**30,000**

(e) Loans To Key Management Personnel

There were no loans made to directors of Healthzone Limited or other key management personnel of the Group, including their related parties, during the years ended 30 June 2009 and 30 June 2008 other than amounts disclosed in Note 26 (e).

(f) Other Transactions With Key Management Personnel

Refer to Note 26 Related Party Transactions for details on other transactions with key personnel.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 23 Contingencies

The Group had contingent liabilities at 30 June 2009 in respect of:

Leases

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 franchisee some 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 of the Group in relation to these leases are $7.3 million.

The Group occupies leased warehouses and retail premises in Australia with aggregate contingent liabilities for 5 years of up to $4.6 million.

Note 24 Remuneration Of Auditors

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
Assurance Services				
1. Audit Services				
Fees paid to PKF East Coast Practice:				
- Audit and review of financial reports	226	95	226	95
Fees paid to related practice of PKF East Coast Practice:				
- Audit and review of financial reports	17	-	17	-
Total remuneration for audit services	**243**	**95**	**243**	**95**
2. Other Assurance Services				
Fees paid to PKF East Coast Practice:				
- Services provided for business acquisitions	126	334	126	334
Total remuneration for other assurance services	**126**	**334**	**126**	**334**
Total remuneration for assurance services	**369**	**429**	**369**	**429**
3. Taxation Services				
Fees paid to PKF East Coast Practice:				
- Tax compliance services, including review of Company income tax returns, international tax consulting and tax advice on mergers and acquisitions	114	16	114	16
Total remuneration for taxation services	**114**	**16**	**114**	**16**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 25 Commitments For Expenditure

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
Operating leases - property				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	5,205	5,931	1,079	1,276
Later than one year but not later than 5 years	6,672	11,452	1,859	2,830
Later than 5 years	-	340	-	269
Total operating leases	**11,877**	**17,723**	**2,938**	**4,375**
Operating leases – equipment				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	464	208	340	92
Later than one year but not later than 5 years	311	401	263	258
Later than 5 years	-	-	-	-
Total operating leases	**775**	**609**	**603**	**350**

Note 26 Related Party Transactions

(a) Parent Entity

The parent entity is Healthzone Limited.

(b) Subsidiaries

Refer Note 28.

(c) Key Management Personnel

Refer Note 22.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(d) Transactions and Balances with Wholly Owned Subsidiaries

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
(i) Transactions with wholly owned subsidiaries				
Sales of goods and services:				
- Royalty fees charged by NHB China Limited on sales of products licensed by the Company	-	-	-	739
- Sale of goods to NHB China Ltd	-	-	1,038	-
- Sale of goods to Health Minders Pty Limited	-	-	27	-
Purchase of goods and services:				
- Purchase of goods from Health Minders Pty Limited	-	-	2,320	-
- Purchase of goods from NHB Bod Pty Limited	-	-	-	6
Other transactions:				
- Reimbursement to NHB China Limited for export marketing and development costs	-	-	-	240
- Advance of funds to NHB China Limited	-	-	-	78
- Receipt of funds from NHB China Limited	-	-	887	1,819
- Receipt of funds from Health Minders Pty Limited	-	-	1,262	-
- Funds provided to Health Minders International Pty Limited	-	-	4,220	10,861
- Funds provided to Jasham International Pty Limited	-	-	3,557	2,538
- Funds provided to NHB Bod Pty Limited	-	-	218	-
- Dividend paid by NHB China to Healthzone Ltd	-	-	1,390	-
(ii) Balance outstanding with wholly owned subsidiaries				
- Receivable from NHB China Limited	-	-	381	-
- Receivable from NHB Bod Limited	-	-	1,086	785
- Payable to NHB China Limited	-	-	-	907
- Receivable from Health Minders International Pty Limited	-	-	14,357	10,861
- Receivable from Jasham International Pty Limited	-	-	3,113	2,538
- Payable to Health Minders International Pty Limited	-	-	-	583
- Receivable from Health Minders Pty Limited	-	-	31	-
- Payable to Health Minders Pty Limited	-	-	17	-

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of doubtful debts from related parties.

(e) Transactions and Balances with Director Related Parties

Transactions with Directors' related parties are on normal commercial rates no more favorable than those available to other parties unless otherwise stated.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
Sale of goods				
- Sale of goods to entities in which Directors hold an interest.	1,062	239	-	8
Purchase of goods				
- Purchase of goods from companies in which Directors hold an interest	-	16	-	-

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Purchase of services				
- Payment of consultancy fees to Colroa Trust a related party to Mr. Peter Roach for the provision of brand development and due diligence acquisition services.	120	-	-	-
- Payment of consultancy fees to MGR International Pty Limited a related party to Mr. Michael Wu for the provision of brand development services.	110	-	-	-
- Payment of agency fees to GNL by NHB China Limited	-	136	-	-
Other transactions				
- Payment to Development Capital Corporation Pty Limited (DCC), of which Mr Robert Dulhunty is a Director.	580	751	580	751
- Payment/(Repayment) of advanced funds made to Mr Michael Ge Wu by the Company	-	(62)	-	(62)
- Payment/(Repayment) to GNL by NHB China Limited for the purposes of meeting expenses to be incurred on behalf of the Company	-	(202)	-	-
- Payments of warehouse rent and management fees to MGR International Pty Ltd, of which Mr Michael Ge Wu is a Director.	35	-	35	-
- Purchase of a motor vehicle from MGR International Pty Ltd, of which Mr Michael Ge Wu is a Director.	18	-	18	-
Balance outstanding				
- Receivable from GNL	252	339	252	339
- Advance payments to GNL	-	145	-	-
- Receivable from CenturCorp Retail Pty Limited a company controlled Mr Roach	750	292	9	9

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of doubtful debts from related parties.

(f) Transactions and Balances with associates.

Refer Note 30.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 27 Business Combination

a) Summary of Acquisitions

The Group has acquired business assets as follows:

Alexem

In April 2009 the Group acquired the national distribution of fragrance products business of Alexem Pty Limited.

The net identifiable assets acquired in the business combination and the intangible assets arising, are as follows:

	$ '000
Purchase consideration	100
Net identifiable assets acquired at fair value	-
Intangible assets on consolidation	**100**

The intangible asset is attributable to the profitability of the business of Alexem Pty Limited.

Pro-Hair

In April 2009 the Group acquired the national distribution of hair care products business of Pro-Hair Pty Limited

The net identifiable assets acquired in the business combination, and the intangible assets arising, are as follows:

	$ '000
Purchase consideration	163
Net identifiable assets acquired at fair value	113
Intangible assets on consolidation	**50**

The intangible asset is attributable to the profitability of the business of Pro-Hair Pty Limited.

Health Minders Pty Ltd

On 7 October 2007, a subsidiary of the parent entity, Health Minders International Pty Limited, acquired 100% of the issued share capital of Health Minders Pty Ltd, a distributor and franchisor of health foods and vitamins. The purchase was satisfied by a cash settlement of $9.35 millions plus net assets with an additional earn out component of 1.24 times the EBITDA of the Health Minders business for the twelve months after completion of the transaction.

The net identifiable assets acquired in the business combination, and the intangible assets arising, are as follows:

	$ '000
Cash and cash equivalents	1,845
Trade and other receivables	12,788
Inventories	4,085
Property plant & equipment	43
Deferred tax asset	1,565
Net subsidiaries	190
Intangible assets	1,800
Trade and other payables	(22,321)
Net identifiable assets acquired at fair value	(5)
Initial purchase consideration	12,378
Net assets acquired	(5)
Intangible assets on consolidation	**12,383**

There has been no change to the provisional accounting for the acquisition as disclosed in the 30 June 2008 Annual Report in that no further separately identifiable intangible assets have been identified. Additional consideration including the adjustment to the earn out component and additional direct costs associated totalling $133 thousand has been attributed to the acquisition during the year to 30 June 2009. The intangible assets on consolidation figure has therefore increased to $12.3 million. Included in the 2009 Group results is revenue of $71.9 million (2008 $50.3 million) and a contribution to net profit after tax of $2.8 million (2008 $2.1 million) contributed by Health Minders Pty Ltd.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Jasham International Pty Ltd

In June 2008, the company acquired the shares of Jasham International Pty Ltd and units of the Jasham Unit Trust, a beauty and fragrance products distributor by way of loans. The effective consideration was $1.0 million plus $2.5 million for net current assets.

The net identifiable assets acquired in the business combination are as follows:

	$ '000
Cash and cash equivalents	58
Trade and other receivables	277
Inventories	2,627
Trade and other payables	(443)
Net identifiable assets acquired (at fair value)	**2,519**
Initial Purchase consideration	6,624
Less net assets acquired	(2,519)
Intangible assets on consolidation	**4,105**

There has been no change to the provisional accounting for the acquisition as disclosed in the 30 June 2008 Annual Report in that no further separately identifiable intangible assets have been identified. Additional consideration including adjustment to the earn-out component of $1.5 million and additional direct costs of $0.9 million have been attributed to the acquisition during the year to 30 June 2009.

The intangible assets on consolidation figure has therefore increased to $6.2 million.

A second earn out totalling 0.25 times EBITDA for the 12 months ending 31 December 2009 is payable in January 2010. Included in the 2009 Group results is revenue of $20.5 million (2008 nil) and a contribution to the profit of $2.2 million (2008 nil) by Jasham International Pty Ltd.

Note 28 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country Of Incorporation	Class Of Shares	Equity Holding 2009 %	Equity Holding 2008 %
NHB China Limited	China	Ordinary	100	100
Bod International Pty Limited	Australia	Ordinary	100	100
Health Minders Pty Limited	Australia	Ordinary	100	100
Healthminders International Pty Limited	Australia	Ordinary	100	100
Healthminders (WA) Pty Limited	Australia	Ordinary	100	100
Healthy Life Partners Pty Limited	Australia	Ordinary	100	100
Health Minders Finance Pty Limited	Australia	Ordinary	100	100
Super Boost Effervescent Vitamins Pty Limited	Australia	Ordinary	100	100
Health Minders Milperra Pty Limited	Australia	Ordinary	100	100
DVC Discount Vitamin Centres Pty Limited	Australia	Ordinary	100	100
Newco (Victoria) Pty Limited	Australia	Ordinary	100	100
Jasham International Pty Limited	Australia	Ordinary	100	100
HZL1 Pty Limited	Australia	Ordinary	100	-
HZL2 Pty Limited	Australia	Ordinary	100	-
HZL3 Pty Limited	Australia	Ordinary	100	-
HZL4 Pty Limited	Australia	Ordinary	100	-
HZL5 Pty Limited	Australia	Ordinary	100	-
HZL6 Pty Limited	Australia	Ordinary	100	-

The Parent incorporated six new subsidiaries during the year.

Note 29 Deed Of Cross Guarantee

Healthzone Limited and Health Minders Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entity has been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Healthzone Limited, they also represent the 'Extended Closed Group'. Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group consisting of Healthzone Limited and its Australian subsidiaries.

Extended Closed Group Income statement	2009 $ '000	2008 $ '000
Revenue from continuing operations	101,854	60,329
Other income	524	-
Raw materials and consumables used	(80,002)	(47,626)
Employee benefits expense	(8,040)	(5,305)
Depreciation and amortisation expense	(183)	(103)
Professional and consulting expenses	(361)	(250)
Operating lease rental expenses	(199)	(146)
Selling and marketing expenses	(169)	(31)
Travel expenses	(464)	(173)
Interest and bank charge expenses	(2,301)	(418)
Other expenses	(6,072)	(3,944)
Share of net profits of associates and joint venture partnership accounted for using the equity method	24	28
Profit before income tax	**4,611**	**2,361**
Income tax expense	(491)	(597)
Profit for the year	**4,120**	**1,764**
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	1,940	176
Profit for the year	4,120	1,764
Dividends provided for or paid	-	-
Retained profits at the end of the financial year	**6,060**	**1,940**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

(b) Extended Closed Group Balance Sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of Healthzone Limited and its Australian subsidiaries.

	2009 $ '000	2008 $ '000
Current assets		
Cash and cash equivalents	1,934	6,166
Trade and other receivables	24,125	28,742
Inventories	6,340	6,232
Total current assets	**32,399**	**41,140**
Non-current assets		
Receivables	3,000	3,000
Investments accounted for using the equity method	640	616
Other financial assets	1,765	3,939
Property, plant and equipment	676	487
Deferred tax assets	2,115	1,303
Intangible assets	24,145	5,554
Total non-current assets	**32,341**	**14,899**
Total assets	**64,740**	**56,039**
Current liabilities		
Trade and other payables	27,456	20,736
Borrowings	2,316	3,546
Current tax liabilities	(33)	556
Provisions	767	697
Total current liabilities	**30,506**	**25,535**
Non-current liabilities		
Trade and other payables	-	2,742
Borrowings	14,217	16,079
Deferred tax liabilities	1,322	34
Provisions	69	102
Total non-current liabilities	**15,608**	**18,957**
Total liabilities	**46,114**	**44,492**
Net assets	**18,626**	**11,547**
Equity		
Contributed equity	12,566	9,607
Reserves	-	-
Retained profits	6,060	1,940
Total equity	**18,626**	**11,547**

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 30 Investment In Associate

	Consolidated 2009 $ '000	Consolidated 2008 $ '000
(a) Movements in carrying amount		
Carrying amount at the beginning of the financial year	616	-
Transferred from other financial assets	-	48
Acquired during the year	-	540
Share of profits	24	28
Dividends received/receivable	-	-
Carrying amount at the end of the financial year	**640**	**616**

(b) Summarised financial information of associate

The Group's share of the results of its associate and its aggregated assets (including goodwill), and liabilities are as follows:

	Ownership %	Assets $ '000	Liabilities $ '000	Revenues $ '000	Profit $ '000
2009					
Wild Food Natural Health Market Pty Limited (ACN: 002 596 992)	20%	151	59	69	24
2008					
Wild Food Natural Health Market Pty Limited (ACN: 002 596 992)	20%	121	53	56	28

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
(c) Transactions and balances				
- Sales of goods	581	231	-	-
Other transactions				
- Payments to acquire a minority interest	540	-	540	
- Interest charged	45	-	45	-
Balance outstanding				
- Receivable	817	481	52	257
- Loan	250	250	250	250

Mr Peter Roach, a Executive Chairman of the Company, has a significant interest in Wild Food Natural Health Market Pty Limited.

Note 31 Events Occurring After The Balance Sheet Date

There were no material events subsequent to reporting date impacting upon the parent or controlled entities.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 32 Reconciliation Of Profit After Income Tax To Net Cash Inflow From Operating Activities

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$ '000	$ '000	$ '000	$ '000
Reconciliation of profit after income tax to net cash outflow from operating activities				
Profit for the year	2,987	2,427	311	653
Depreciation expense	198	112	102	83
Net (gain) loss on sale of non-current assets	8	-	8	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
Decrease/(increase) in current trade and other receivables	(3,905)	4,467	167	2,495
Decrease/(increase) in inventories	(139)	(965)	187	(113)
Decrease/(Increase) in deferred tax assets	(894)	(1,249)	(733)	(937)
Increase/(decrease) in trade and other payables	3,118	(81)	(616)	(601)
Increase/(decrease) in current tax liabilities	(62)	385	(108)	486
Increase/(decrease) in provisions	(142)	832	34	(28)
Increase/(decrease) in deferred tax liabilities	1,235	11	705	(11)
Net cash inflow from operating activities	**2,404**	**5,939**	**57**	**2,027**

Refer to Note 27 for details on inventory acquired through business acquisitions. For the year ended 30 June 2009 operating cash flows included and finance cash excluded $7.6 million in respect of trade facilities. For the year ended 30 June 2009 operating cash outflows including this amount would be $5.0 million for the Group and finance cash inflows would be $4.3 million for the Group.

During the year ended 30 June 2009 the Group acquired plant and equipment of $174 thousand by means of finance leases (2008: $13 thousand). The Group also issued 5,646,181 ordinary shares in Healthzone Limited at 48.41 cents on 10 February 2009 as consideration for the acquisition of the Health Minders business as detailed in Note 27.

Note 33 Earnings Per Share

	Consolidated	
	2009	2008
(a) Basic earnings per share	6.9 cents	6.6 cents
(b) Diluted earnings per share	6.9 cents	6.5 cents
(c) Earnings used in calculating earning per share		
Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	2,987	2,427
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares (thousand) used as the denominator in calculating basic earnings per share and alternative basic earnings per share	43,464	36,649
Adjustments for calculation of diluted earnings per share:		
- Options	-	500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	43,464	37,149

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

Note 34 Financial Instruments

Refer to Note 2 for principles and policies the Group has developed in relation to financial risk management.
Interest rate risk

The following table sets out the Group's exposure to interest rate risk, including the contractual pricing dates and the effective weighted average interest rate by maturity periods. The carrying amount of the financial assets and liabilities approximate their fair value.

Interest Rate Risk

2009	Interest Rate	Floating Interest Rate	Fixed Interest Rate Less Than 1 Year	Fixed Rate Greater Than 1 Year	Non-Interest Bearing	Total
Financial assets		$ '000	$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents (Note 8)	1.4%	2,064	356	-	-	2,420
Trade and other receivables - current (Note 9)	-	-	-	-	19,375	19,375
Other receivables - current (Note 9)	-	-	-	-	3,218	3,218
Loans to other parties - non-current (Note 9)	10.0%	-	-	3,000	-	3,000
Investments in associates (Note 11)	-	-	-	-	640	640
Other financial assets (Note 15)	-	-	-	-	76	76
Total financial assets		2,064	356	3,000	23,309	28,729
Financial liabilities						
Trade payables (Note 16)	-	-	-	-	14,347	14,347
Other payables - current (Note 16)	-	-	-	-	3,865	3,865
Trade instruments (Note 16)	5.8%	7,534	-	-	-	7,534
Commercial bills (Note 17)	8.3%	6,611	9,743	-	-	16,354
Total financial liabilities		14,145	9,743	-	18,212	42,100

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2009

2008	Interest Rate	Floating Interest Rate	Fixed Interest Rate Less Than 1 Year	Fixed Rate Greater Than 1 Year	Non-Interest Bearing	Total
Financial assets		$ '000	$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents (Note 8)	2.8%	6,431	356	-	-	6,787
Trade and other receivables - current (Note 9)	-	-	-	-	13,364	13,364
Other receivables - current (Note 9)	-	-	-	-	2,594	2,594
Loans to other parties - non-current (Note 9)	10.0%	-	-	3,000	-	3,000
Investments in associates (Note 11)	-	-	-	-	616	616
Other financial assets (Note 15)	-	-	-	-	116	116
Total financial assets		**6,431**	**356**	**3,000**	**16,690**	**26,477**
Financial liabilities						
Trade payables (Note 16)	-	-	-	-	10,072	10,072
Other payables - current (Note 16)	-	-	-	-	4,401	4,401
Other payables - non-current (Note 15)	-	-	-	-	2,679	2,679
Trade instruments (Note 16)	7.2%	4,632	-	-	-	4,632
Commercial bills (Note 17)	9.2%	8,111	11,514	-	-	19,625
Total financial liabilities		**12,743**	**11,514**	**-**	**17,152**	**41,409**

Note 35 Share Based Payments

The Healthzone Limited Option Plan is open to selected personnel at the discretion of the directors. The overall philosophy of the Plan is to attract, retain and motivate executives. It is designed to generate longer term incentives linked to the future of Healthzone Limited.

The Option Plan allocates options to acquire ordinary shares in Healthzone Limited. Options under the plan carry no dividend rights.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 82 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 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(c) the audited remuneration disclosures set out on page 24 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the chief executive officer 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
Executive Chairman

Michael Wu
Director

28 September 2009

Independent Audit Report to the Members

Chartered Accountants
& Business Advisers

To the members of Healthzone Limited

Report on the Financial Report

We have audited the accompanying financial report of Healthzone Limited, which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration for both Healthzone Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 2(a), the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

Independent Audit Report to the Members

Auditor's Opinion

In our opinion the financial report of Healthzone Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2009. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Healthzone Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

PKF

Grant Saxon
Partner
Sydney, 28 September 2009

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2009.

a) Twenty Largest Shareholders

The names of the twenty largest holders of quoted ordinary shares are:

The names of the twenty largest holders of quoted ordinary shares are:

	Number of Shares	% Of Ordinary Shares
Mr Ge (Michael) Wu	9,556,825	19.5
Guo Guang Tao	8,029,297	16.4
Gain Capital Management Pty Ltd	6,035,000	12.3
Buzrio Pty Ltd	4,346,235	8.9
ANZ Nominees Limited	1,650,000	3.4
Absolute Investments Australia Pty Ltd	1,630,000	3.3
Mr Roger Wells	1,243,617	2.5
Mr Mathew Bendror	1,029,674	2.1
Bendror Holdings Pty Limited	1,021,175	2.1
Mr Peter Roach	1,002,500	2.0
Dixson Trust Pty Ltd	852,049	1.7
Mr John Steven Lundgren	619,990	1.3
Mr Ramin Marzbani	600,000	1.2
Gerder Nominees Pty Ltd <Thurn Super Fund A/C>	560,000	1.1
Mr George Wang	546,173	1.1
Development Capital Corporation Pty Ltd	464,514	0.9
Mr Huan Zhong Wang	444,000	0.9
Citicorp Nominees Pty Limited	415,500	0.8
A, S, G & A. Alford <Cranot Super Fund A/C>	340,000	0.7
Scintilla Strategic Investments Limited	319,200	0.7
Total	40,705,749	82.9

b) Distribution of Equity Securities

The numbers of shareholders, by size of holding, in each class of shares are:

	Number Of Holders	Number Of Ordinary Shares
1 to 1,000	40	33,028
1,001 to 5,000	125	415,683
5,001 to 10,000	81	706,034
10,001 to 100,000	112	3,761,459
100,001 and over	38	44,173,095
Total	**396**	**49,089,299**

ASX Additional Information

c) Substantial shareholders

Substantial shareholders (owning more than 5% of the share capital) in Healthzone Limited at 31 August 2009 are set out below.

	Number of Ordinary Shares	%
Michael Ge Wu	9,556,825	19.5
Guo Guang Tao	8,029,297	16.4
Gain Capital Management Pty Ltd	6,035,000	12.3
Buzrio Pty Ltd	4,346,235	8.9

Shares

Director	Direct Interests	Indirect Interests
Michael Ge Wu	9,541,825	-
Peter Roach	1,002,500	-
Michael Jenkins	-	76,600

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Securities Exchange

The Company's securities are not quoted on any securities exchange other than the Australian Securities Exchange.

f) Buy Back

There is not a current on-market buy-back.

h) Directors' Interests In Securities

Directors' relevant interests in securities of which the director is the registered holder

Corporate Directory

30 June 2009

Directors

Peter Roach (Chairman)
Michael Ge Wu
Michael Jenkins (and Company Secretary)

Registered Office

316 Horsley Road, Milperra NSW 2214

Auditors

PKF Chartered Accountants and Business Advisors
Level 10, 1 Margaret Street
Sydney NSW 2000

Lawyers

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

Share Registry

Registries Limited
28 Margaret Street
Sydney NSW 2000
Telephone: 61 2 9290 9600

Web-site

www.healthzone.com.au

Contact Information

Telephone: (02) 9238 6255
Fax: (02) 9773 0075