

healthzone limited

ACN 118 715 772

316 Horsley Road
Milperra NSW 2214

HALF YEAR PROFIT ANNOUNCEMENT

54% PROFIT GROWTH AND 22% EPS GROWTH

SYDNEY, February 26, 2009 - Healthzone Limited (ASX code: HZL), a leading distributor, franchise retailer and producer of health and beauty products today announced 54% growth in half-year net profit after tax with 22% growth in earnings per share.

Summary financial results for the 6 month period to 31 December 2008 are tabled below.

Summary Financial Performance Year to 31 December	H1 09 \$ Million	H1 08 \$ Million	Growth %
Revenue	53.4	22.9	133%
EBITDA	3.2	2.0	60%
EBIT	3.1	2.0	55%
Profit Before Tax	2.0	1.5	33%
Net Profit After Tax	1.8	1.2	54%
Half-Year Earnings Per Share	4.5 cents	3.7 cents	22%

Key Highlights for Half Year to 31 December 2008

- 133% revenue growth to \$53.4 million
- 60% EBITDA growth to \$3.2 million
- 54% NPAT growth to \$1.8 million
- 22% EPS growth to 4.5 cents per share
- 9% year-on-year revenue growth of Healthy Life stores
- Launch of HZL's proprietary "Natural Alternative" and "HL Vitamin" brands with more than 150 products for sale through HZL's distribution channels, with robust early performance.
- Continued expansion of HZL's "Bod" and "Aurinda" product ranges.
- Continued development of HZL's national distribution businesses with additional suppliers, retail customers, products and services.
- Continued penetration into the pharmacy market, estimated to have 5x the retail turnover of the health food retail sector, with additional retail customers, suppliers and products.
- Continued international expansion, including new channel distribution in Europe.

Peter Roach, Executive Chairman of Healthzone said "These results are very encouraging. Despite prevailing conditions, the Australian wellness sector has generally been resilient to economic cycles and Healthzone is committed to growth in the performance of its businesses through Healthzone's Project 2010 initiatives and development of Healthzone's brands, distribution business and franchise systems.

Brand Development

Healthzone launched its “Natural Alternative” and “HL Vitamin” ranges of products in the half-year to December, which complement the company’s Aurinda and Bod health and beauty brands.

Healthzone’s “Natural Alternative” range of more than 90 products was launched in October 2008 and includes “Free From” food, tea, cleaning, body care and hair care products. This range was developed exclusively for sale through the health food channel, including more than 130 network stores of Healthzone.

Healthzone plans to expand this product range to 200 products by 30 June 2010. The Natural Alternative range provides significant potential benefits, including health food channel loyalty, sales expansion to non-HZL franchised stores, higher profit margins, control of supply arrangements and the ability to more effectively respond to the needs of Healthzone’s retail customers.

Healthzone launched its “HL Vitamin” range of more than 65 vitamin and supplement products in 2008, which are sold exclusively through the company’s national Healthy Life franchise. Healthzone has secured support of this range by its national retail network and is currently evaluating immediate opportunities to expand this range.



Project 2010

Healthzone achieved significant progress with its Project 2010 profit growth initiatives in the 6 months to 31 December 2008, including:

- 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;
- Central purchasing for the national franchise and enhancing support by the national franchise of Healthzone’s distribution businesses;
- Appointment of senior executives to Healthzone’s team with expertise in finance, marketing, sales, retailing and distribution and establishment of a national sales team; and
- Development of Healthzone’s systems to enhance operating efficiency, profit margins, inventory management and e business intelligence through improved services to customers, business intelligence, merchandising and marketing.



Outlook

Healthzone is advancing its Project 2010 initiatives with steady progress and has achieved early success with the launch of proprietary brands in its distribution channels, integration of its businesses and significant improvements in services to the health food and pharmacy channels.

Healthzone is focused on enhancing competitive advantages and shareholder returns to 30 June 2010 with investment in products, sales personnel, services and systems with deferral of some short term activities in the 6-month period to 30 June 2009. The company is at advanced stages of development of strategic projects and assessment of potential business acquisitions. These activities enhance the value of Healthzone's businesses, however due to the timing of returns from these activities, there can be no assurance how much they will contribute to or diminish results for the 6 month period ending 30 June 2009.

Contact Details

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

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

BACKGROUND NOTES FOR EDITORS

Healthzone Limited

Healthzone Limited operates a portfolio of distribution, consumer product and retail businesses in the Wellness sector. Each business provides immediate opportunities for earnings growth through business development and integration. Healthzone's businesses are comprised of three principal activities.

Health and Beauty Distribution

- Health Minders national health food distribution, with warehouse facilities in most states of Australia.
- 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.
- North America, Europe and Asia distribution.

Health and Beauty Products

- More than 300 "Healthy Life" and products including vitamins, supplements, health foods and beverages which are sold exclusively through Healthy Life stores.
- More than 65 "HL Vitamin" vitamin and supplement products.
- More than 90 "Natural Alternative" products, including food, household and cleaning products.
- The 'Bod' products are natural beauty products made in Australia. These products are sold in Japan, Hong Kong, Taiwan, Korea, Canada, Europe and New Zealand. These products will be the target of further development of the significant export market potential. The Bod products range is also actively marketed through Healthzone stores in Australia.
- The company produces a range of more than 45 supplement and vitamin products under its "Aurinda" brand, which are manufactured in Australia for export sale.
- The Company plans to acquire or develop its portfolio of Wellness products and is exploring opportunities to expand distribution of these products in Australian and international Wellness markets.

Health Retail

- Healthzone is the master franchisor of more than 130 health food retail stores
- The Company has eight stores owned outright (seven in Sydney and one in Melbourne)
- Healthzone sells more than 800 wellness products online at www.healthonline.com.au, including products from other leading vendors. Other online stores include Bod Online.
- Healthzone has more than 400,000 registered loyalty club members.
- Healthzone's Healthy Life magazine has a circulation of more than 4 million copies per annum.

Appendix 4D

Half year report Half-Year ended 31 December 2008

Introduced 1/1/2003

Name of entity

HEALTHZONE LIMITED

ABN or equivalent company
reference

79118715772

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

31 DECEMBER 2008

31 DECEMBER 2007

2 Results for announcement to the market

Dec 2008 \$A'000

2.1	Revenue	Up	133%	53,365
2.2	Profit after tax attributable to members	Up	54%	1,843
2.3	Profit for the period attributable to members	Up	54%	1,843
Dividends (distributions)		Amount per security		Franked amount per security
2.4	Final dividend (<i>Preliminary final report only</i>)	N/A¢		N/A¢
2.4	Interim dividend (<i>Half yearly report only</i>)	N/A¢		N/A¢
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.			
See Chairman's review of operations and interim financial report – 31 December 2008				

3. NTA backing		Current period	Previous corresponding Period
	Net tangible assets per security	-\$0.18	-\$0.20

4. Control gained over entities having material effect

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

Loss of control of entities having material effect

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

5. Dividends / Distributions

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

Total Dividends /Distributions

Ordinary securities

\$ N/A

Preference securities

\$ N/A

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

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

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

8. Foreign Entities

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

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

HEALTHZONE LIMITED

ACN 118 715 772

HALF- YEAR REPORT 31 DECEMBER 2008

CONTENTS	PAGE
Directors' Report	2
Auditor's Independence Declaration	3
Interim Financial Report : Half-Year to 31 December 2008	4
Directors' Declaration	14
Independent Auditor's Review	15

HEALTHZONE LIMITED DIRECTOR'S REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Your Directors present this report on the Company consisting of Healthzone Limited and the entities it controlled for the half-year ended 31 December 2008.

Directors

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

- Peter Roach (Executive Chairman)
- Terry Cuthbertson
- Michael Wu
- Robert Dulhunty

Principal Activities

Healthzone Limited is a distributor, producer and retailer of health and beauty products. The Company's operations include a national health food and beauty products distribution businesses, a national network of more than 130 health food retail stores, company owned retail stores, the Bod range of skin care and beauty products and the Healthy Life, Aurinda, HL and Natural Alternative ranges of more than 350 health food, vitamin and supplement products..

Dividends

The Directors of the Company recommend that profits for the period be reinvested for enterprise growth with no dividend to be paid in respect of the half-year ended 31 December 2008.

Review of Operations

Earnings before interest, tax, depreciation and amortisation was \$3,254,000 for the half-year ended 31 December 2008 (2007 - \$2,045,000). The net result for the Company for the half-year ended 31 December 2008 was a net profit after tax of \$1,843,000 (2007 - \$1,195,000) after income tax expense of \$172,000 (2007 - \$342,000). The results of the operations of the Company for the half-year ended 31 December 2008 were not affected by any item, transaction or event of a material or unusual nature.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Half Year

No matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect the entity's operations in future financial years, the results of those operations in future financial years, or the entity's state of affairs in future financial years other than settlement of the acquisition of Health Minds Pty Limited.

Auditors' Independence Declaration

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

Rounding off of Amounts

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

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



Peter Roach
Healthzone Limited
Executive Chairman
Dated at Sydney this 26th day of February 2009

Auditor's Independence Declaration

As lead auditor for the review of Healthzone Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

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



Grant Saxon
Partner
Sydney, 26 February 2009

HEALTHZONE LIMITED

ACN 118 715 772

INTERIM FINANCIAL REPORT 31 DECEMBER 2008

CONTENTS	PAGE
Interim Financial Report – 31 December 2008	4
Consolidated Income Statement	5
Consolidated Balance Sheet	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	14
Independent Auditor's Review	15

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

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

Healthzone Limited
316 Horsley Road
Milperra NSW 2214

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Income Statement		Half –Year to 31 December	
		2008 \$'000	2007 \$'000
Half-Year to 31 December	Note		
Revenue from Continuing Operations			
Sale of Goods		50,888	21,831
Other Revenue	2	2,477	1,111
		53,365	22,942
Raw Materials and Consumables Used		(41,695)	(16,363)
Employee Benefits Expense		(4,307)	(2,415)
Operating Lease Rental Expenses		(1,485)	(1,076)
Distribution costs		(931)	(251)
Professional Fees		(313)	(286)
Travel		(168)	(43)
Depreciation and Amortisation		(90)	(78)
Interest and Bank Charges		(1,228)	(473)
Other Expenses		(1,143)	(420)
Share of Net Profits of Associates Accounted for Using the Equity Method		10	-
Profit from Continuing Operations Before Tax		2,015	1,537
Income Tax Expense		(172)	(342)
Profit from Continuing Operations		1,843	1,195
Profit Attributable to the Members of Healthzone Limited		1,843	1,195
Basic Earnings per Share		4.5 cents	3.7 cents
Diluted Earnings per Share		4.5 cents	3.6 cents

The Condensed Consolidated Income Statement is to be read in conjunction with the attached Notes on pages 9 to 13. All amounts relate to continuing operations.

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED BALANCE SHEET
 AS AT 31 DECEMBER 2008

Balance Sheet	Consolidated		
	Note	31 December 2008 \$'000	30 June 2008 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents		3,464	6,787
Trade and Other Receivables		19,737	17,926
Inventory		11,958	9,142
Total Current Assets		<u>35,159</u>	<u>33,855</u>
Non-Current Assets			
Other Receivables		3,000	3,000
Investments Accounted for Using the Equity Method		626	616
Property, Plant and Equipment		693	518
Deferred Tax Assets		1,275	1,266
Intangible Assets		23,767	21,956
Other Financial Assets		9	116
Total Non-Current Assets		<u>29,370</u>	<u>27,472</u>
Total Assets		<u>64,529</u>	<u>61,327</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables		28,727	23,460
Borrowings	6	3,546	3,546
Current Tax Liabilities		377	752
Provisions		689	828
Total Current Liabilities		<u>33,339</u>	<u>28,586</u>
Non-Current Liabilities			
Trade and Other Payables		430	2,684
Borrowings	6	14,306	16,079
Provisions		93	-
Total Non-Current Liabilities		<u>14,829</u>	<u>18,763</u>
Total Liabilities		<u>48,168</u>	<u>47,349</u>
Net Assets		<u>16,361</u>	<u>13,978</u>
EQUITY			
Contributed Equity	4	9,839	9,607
Reserves		285	(23)
Retained Earnings		6,237	4,394
Total Equity		<u>16,361</u>	<u>13,978</u>

The Condensed Balance Sheet is to be read in conjunction with the attached Notes on pages 9 to 13

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Changes in Equity	Half –Year to 31 December	
	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial period	13,978	5,428
Exchange differences on translation of foreign operations	308	17
Net income recognised directly in equity	308	17
Profit for the half-year	1,843	1,195
Total income and expense recognised for the period	2,151	1,212
Contributions of equity, net of transaction costs	232	5,787
Total equity at the end of the financial period	16,361	12,427

The Condensed Statement of Changes in Equity is to be read in conjunction with the attached Notes on pages 9 to 13

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Cash Flow Statement	Half –Year to 31 December	
	2008 \$'000	2007 \$'000
Cash Flows From Operating Activities		
Receipts from customers (inclusive of goods and services tax)	59,148	23,739
Payments to suppliers and employees (inclusive of goods and services tax)	(57,153)	(22,459)
	1,995	1,280
Interest received	40	48
Income tax paid	-	(182)
Net cash inflow from operating activities	2,035	1,146
Cash Flows From Investing Activities		
Payment for investment in wholly owned subsidiary	(1,484)	(9,902)
Payments for property, plant and equipment	(255)	(89)
Payment for product development and other intangibles	(789)	-
Payments for investments in other related parties	-	(512)
Reclassification of rental deposits	-	356
Net cash outflow from investing activities	(2,528)	(10,147)
Cash Flows From Financing Activities		
Proceeds from borrowings	95	9,631
Interest paid	(1,149)	(533)
Repayment of borrowings	(1,773)	(3,275)
Trade facilities	-	(804)
Proceeds from issue of shares	-	6,000
Share issue transaction costs	(3)	(213)
Net cash inflow from financing activities	(2,830)	10,806
Net increase/(decrease) in cash held	(3,323)	1,805
Cash at the beginning of the financial period	6,787	1,429
Cash at the end of the financial period	3,464	3,234

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with the attached notes on pages 9 to 13

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 1 Basis of Preparation of Half-year Financial Report

Statement of Compliance

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

Basis of Preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008. When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial period.

Note 2 Revenue

	Half-Year to 31 December	
	2008 \$'000	2007 \$'000
Sale of Goods	50,888	21,831
Franchise Revenue	950	525
Other Revenue including foreign exchange gain	1,527	586
Total Revenue	53,365	22,942

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 3 Segment information

Primary Reporting – Business Segments

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

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

Half-Year to 31 December 2007	Wholesale \$'000	Retail \$'000	Intersegment Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales of Goods	18,073	4,512	-	22,585
Intersegment Sales	(754)	-	-	(754)
Total Sales Revenue	17,319	4,512	-	21,831
Other Revenue	241	1,340	(470)	1,111
Total Revenue	17,560	5,852	(470)	22,942
Results				
Segment Result	911	1,107	(293)	1,725
Unallocated Revenue Less Unallocated Expenses	-	-	(188)	(188)
Profit Before Income Tax	911	1,107	(481)	1,537
Income Tax Expense				(342)
Net Profit for the Half-Year				1,195

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 4 Equity Securities Issued

	2008 Number of Shares	2007 Number of Shares	2008 Contributed Equity \$'000	2007 Contributed Equity \$'000
Opening balance as at 1 July	40,923,469	30,923,469	9,607	3,820
4 December 2007 share placement	-	10,000,000	-	6,000
30 September 2008 exercise of options	470,000	-	235	-
Transaction costs	-	-	(3)	(213)
25 November 2008 employee issue	10,000	-	-	-
Closing balance as at 31 December	41,403,469	40,923,469	9,839	9,607

Note 5 Business Combination

In June 2008, the Company acquired the shares of Jasham International Pty Limited and units of the Jasham International Unit Trust, a beauty and fragrance products distributor. In October 2007, the Company acquired the shares of Health Minders Pty Limited. The contribution of these businesses to the net profit after tax of the Healthzone Group for the half-year ended 31 December 2008 was \$1.5m (2007: \$0.6m).

Note 6 Borrowings

The borrowings of the company are secured by fixed and floating charges over the assets of all entities in the Healthzone Group.

The loan facilities are repayable in instalments of \$0.9 million per quarter with complete amortisation of all facilities by 30 June 2013. The interest rate on facilities of \$10.6 million is fixed at 7.2% until October 2012 and the interest rate on the balance of facilities is at a floating rate on 90 day bank bills. Facility fees are based on facility limits.

The Company has trade facilities of approximately \$9.0 million which were utilised to \$7.0 million at 31 December 2008 with approximately \$2.0 million of undrawn facilities.

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 7 Related Party Transactions

(a) Parent Entities

Healthzone Limited is the ultimate parent entity.

(b) Subsidiaries

Interests in Subsidiaries are set out in Note 8.

(c) Associates

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

(i) Transactions with Directors' Related Parties.

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

	Half-Year to 31 December	
	2008 \$'000	2007 \$'000
<i>Sales of Goods and Services:</i>		
Sales of goods to CenturCorp Retail Pty Limited, a company controlled by Mr. Peter Roach, a Director	271	-
Sales of goods to Wild Food Highlands Pty Limited, a company controlled by Mr. Peter Roach, a Director	252	-
<i>Other Transactions</i>		
Payment to Development Capital Corporation Pty Limited (DCC), of which Mr. Robert Dulhunty is a director. The company has an ongoing mandate to identify and execute business acquisitions	418	701
Payment to Mr. Peter Roach, a Director of the company to acquire an additional 15% interest in Wild Food Natural Health Market Pty Limited	-	512
Payment to Colroa Trust an entity controlled by Mr. Peter Roach, a Director, for consulting services	195	-
Payment to MGR Pty Limited an entity controlled by Mr. Michael Wu, a Director, for consulting services	85	-
Payment of agency fees to Guangzhou Nilai Limited (GNL) by NHB China Limited	-	72
Funds repaid to Mr. Michael Wu by the Company	-	73
Reversal of sale of goods to CenturCorp Retail Pty Limited, a company controlled by Mr. Peter Roach	-	(46)

HEALTHZONE LIMITED AND CONTROLLED ENTITIES
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Note 7 Related Party Transactions (continued)

	As at 31 December 2008 \$'000	As at 30 June 2008 \$'000
(ii) Balances Outstanding with Directors' Related Parties		
Receivable from GNL	251	339
Advance payments to GNL	-	145
Receivable from Centurcorp Retail	586	292
Receivable from Wild Food Natural Health Market Pty Limited	250	250
Receivable from Wild Food Highlands Pty Limited	294	231

Note 8 Wholly Owned Subsidiaries

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			31 December 2008	31 December 2007
BOD International Pty Limited (formerly NHB Bod Pty Limited)	Australia	Ordinary	100%	100%
NHB China Limited	China	Ordinary	100%	100%
Health Minders International Pty Limited	Australia	Ordinary	100%	100%
Health Minders Pty Limited	Australia	Ordinary	100%	100%
Healthy Life Partners Pty Limited (formerly Healthy Life Pty Limited)	Australia	Ordinary	100%	100%
DVC Discount Vitamin Centres Pty Limited	Australia	Ordinary	100%	100%
Health Minders Milperra Pty Limited	Australia	Ordinary	100%	100%
Health Minders Finance Pty Limited (formerly Phytomedical Research Group Pty Limited)	Australia	Ordinary	100%	100%
Health Minders (WA) Pty Limited	Australia	Ordinary	100%	100%
Supa Boost Effervescent Vitamins Pty Limited	Australia	Ordinary	100%	100%
Newco (Victoria) Pty Limited	Australia	Ordinary	100%	100%
Jasham International Pty Limited	Australia	Ordinary	100%	-

Note 9 Commitments and Contingencies

The Group is the master franchisor of the Healthy Life retail franchise and holds head leases in relation to retail stores that are licensed to some franchised 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. The contingent liabilities include leases with terms of between 2 years and 5 years. Contingent liabilities of the Group in relation to those leases are \$9.2 million. The amounts payable for leases held on property occupied by the company are \$1.9 million for the 12-month period following balance date and \$3.8 million for the period between 1 and 5 years from balance date. The Company has a commitment to the vendor of the Jasham business for purchase consideration, based upon post-acquisition EBITDA of the Jasham business. The payments are to be settled by way of cash and the issue of shares at the Company's election in or around July 2009 and January 2010.

Note 10 Events Occurring after Reporting Date

No matter or circumstances has arisen since 31 December 2008 that has significantly affected or may significantly affect the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years, other than settlement of the acquisition of Health Minders Pty Limited with the issue of 5,646,481 shares to vendors.

HEALTHZONE LIMITED DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance, as represented by the results of their operations and their cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Healthzone Limited will be able to pay its debts as and when they become due and payable.

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

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



Peter Roach
Healthzone Limited
Executive Chairman

Dated at Sydney this 26th day of February 2009

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Healthzone Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Healthzone Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, and other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and its subsidiaries at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Healthzone Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

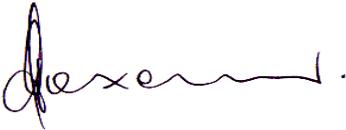
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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**PKF**

Grant Saxon
Partner
Sydney, 26 February 2009

HEALTHZONE LIMITED
CORPORATE DIRECTORY
31 DECEMBER 2008

Directors

Peter Roach (Executive Chairman)
Michael Wu
Terry Cuthbertson
Robert Dulhunty

Company Secretary

Michael Jenkins

Registered Office

Healthzone Limited
316 Horsley Road
Milperra NSW 2214

Auditors

PKF
Level 10, 1 Margaret Street
Sydney NSW 2000

Lawyers

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

Share Registry

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

Website

www.healthzone.com.au

Contact Information

Telephone: +61 2 9238 6255
Fax: +61 2 9773 0075