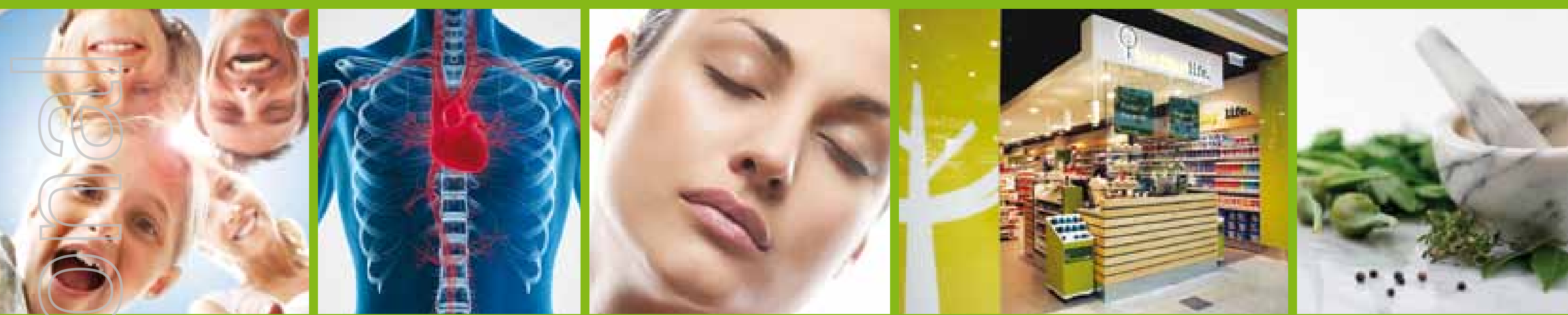
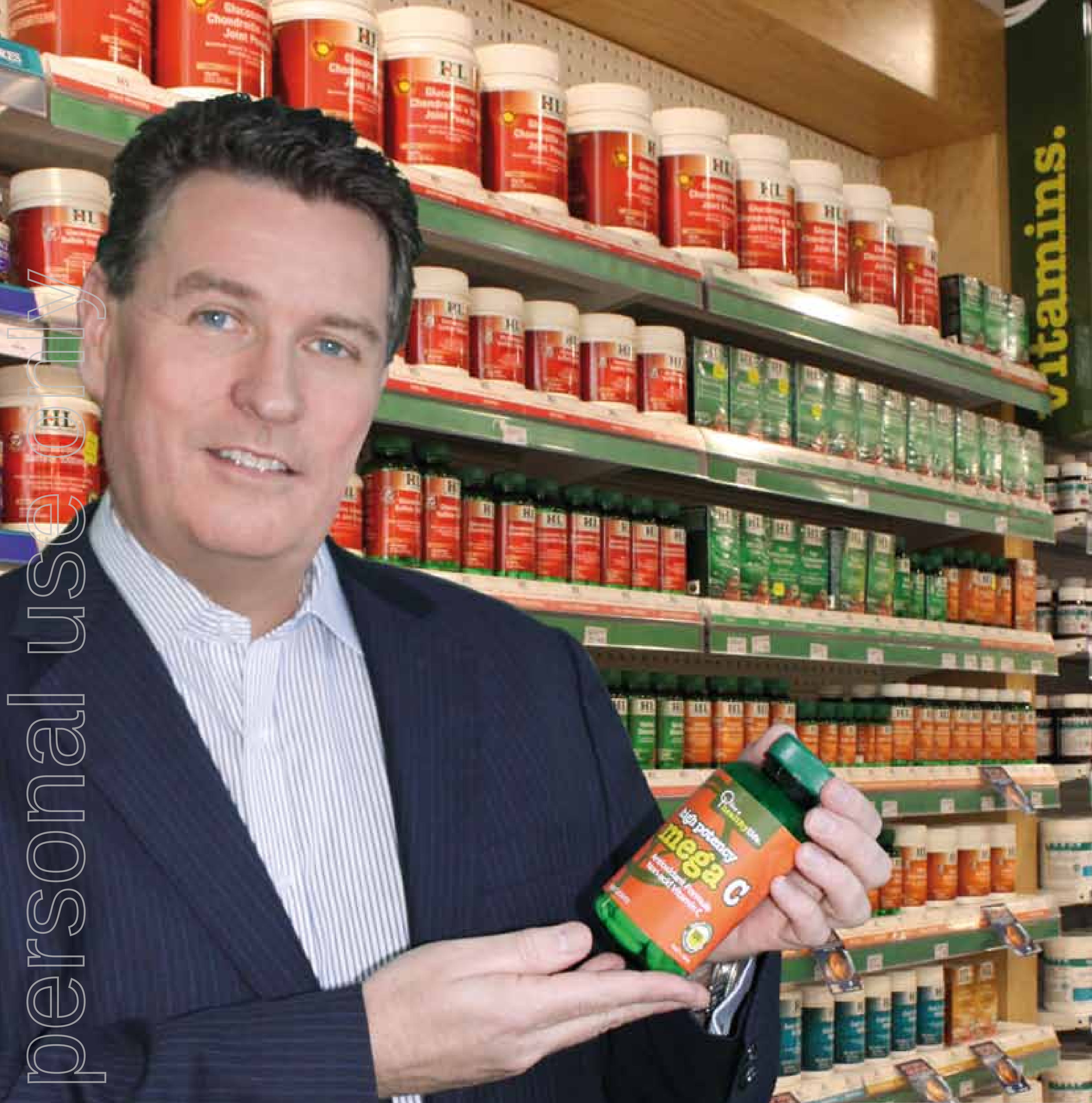
ANNUAL REPORT 2011



healthzone LIMITED

Healthzone Ltd operates a portfolio of distribution, consumer product and retail business and is the largest operator in the Australian Wellness sector with significant and growing Asian and China wellness market interests.

CONTENTS



High value products are being launched such as the exclusive Eu Yang Sang Lingzhi in addition to more than 155 new high margin own brand products.

CHAIRMAN'S REPORT

Highlights for Healthzone Limited in the year to 30 June 2011 included:

- Successful completion of Tranche 1 Capital Raise AU$4.77 million
- Restructure for high margin revenue growth results in 22% Gross Profit increase
- Net Tangible Asset Growth by 113%
- Healthy Life China Established and Trading
- Expansion of Own Brand ranges including 142 new products for China
- Introduction of Eu Yan Sang hero products in Australia
- 39 new distribution suppliers with average distribution margin of 24.7%
- Launched Jasham Health & Beauty distribution to 3,300 pharmacies
- Integrated Gold Mist Retail Chain
- Increase in Loyalty Club Membership to 556,000
- NASDAQ listing application and 20-F filing complete

FY2011 Summary

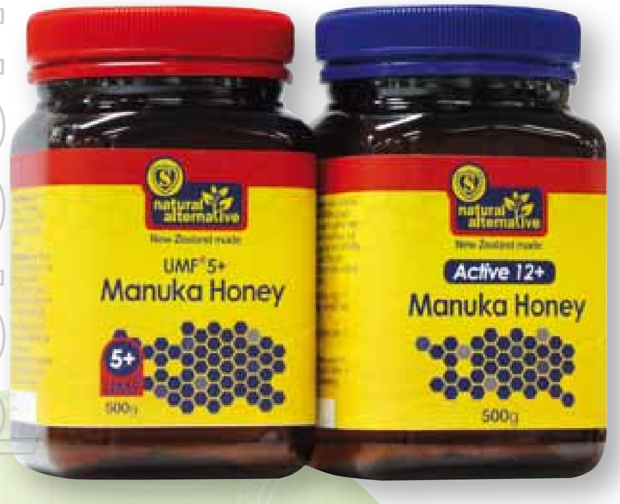
The year has been one of significant change in the market and our business. Difficult market conditions in FY2011 together with several natural disasters in Australia have provided many challenges. It was also the year we actively commenced the restructure of our business from low margin distributed products to an improved mix of higher margin distributed products as well as increasing our "Own Brand" product range, delivering even higher gross margins. In support of this Healthzone margin growth strategy, gross profits have increased by 22%. One of the expected and reported consequences of this strategic change was a short-term reduction in top line revenues by 17% during the transition period of improving margins. Revenues for the 2nd half were further impacted by significant 3rd Party supplier out of stocks impacting sales negatively, resulting in lost sales for both distribution and retail business units. In spite of the short-term revenue impact, earnings before interest, depreciation and tax (EBITDA) declined at a significantly slower pace than sales due to the increased margins achieved.

Capital Raising Program

Healthzone commenced a major capital raising program, targeted to raise $20m of equity. The funds raised will further support the margin growth strategies working capital requirements for Own Brand development together with targeted acquisitions and new store development in both Australia and China. The Tranche 1 raising of $4.8 million is complete, and Tranche 2 is currently under way, with a targeted completion date of early October 2011. As a part of the capital raising program, we were pleased to advise that our major shareholder and partner, Eu Yan Sang, have increased their shareholding in the Company up to 19.9% as an expression of their confidence in our growth strategies. The capital raising program is particularly targeting a broadening of our shareholder base into the USA, which in turn will support the NASDAQ listing currently under way.

NASDAQ Listing

The NASDAQ application process has been completed with the lodgement of the Companies 20-F filing with the SEC in the USA in July 2011. The NASDAQ listing will be further supported by the capital raise with many investors converting their Healthzone ordinary shares into American Depository Receipts (ADR's) in preparation for the listing. Each ADR represents 20 HZL ordinary shares. It is anticipated that the NASDAQ listing will add to both trading liquidity and enterprise value in a market that provides a large variety of direct comparatives trading at



multiples 3 to 5 times that of Healthzone on the ASX. Timing of the listing is subject to the SEC review and approval of the 20-F filing.

Growth Strategies

Product development and retail growth has been the primary focus during the year. The company successfully integrated the newly acquired Gold Mist Health network of Healthy Life stores, and Healthzone now operates 31 Company stores with 6 new retail sites committed. Company stores provide vertically integrated margins of combined retail and wholesale gross margins between 55% and 95%. Particular emphasis has been put on accelerating the China growth initiatives. Executive Director Michael Wu, now based in China, has been working closely with the locally based management team to fast-track retail expansion through Healthy Life China, establish a new E-Commerce platform and Telemarketing Centre as well as expansion through long established 3rd party distribution and retail networks. Healthzone has increased the China product range from 45 SKU's last year to 142 SKU's with a further 150 high margin products currently in the registration process. The newly restructured Healthzone Solutions distribution business unit will provide significant revenue and margin growth contribution into FY2011/12 with the addition of 39 new supplier partnerships in FY2011. The new suppliers provide average distribution margins of 24.7% compared to margins from substituted brand revenues of between 8% and 14%. High value products are also being launched such as the exclusive Eu Yan Sang Lingzhi product in addition to more than 155 new high margin own brand Healthy Life, Natural Alternative and BodELogic sports nutrition products.

Healthzone's pharmacy fragrance and cosmetic distribution business Jasham International has also been restructured and consolidated into the Head Office facility in Milperra. Jasham has been relaunched as the premier pharmacy channel Natural Health &

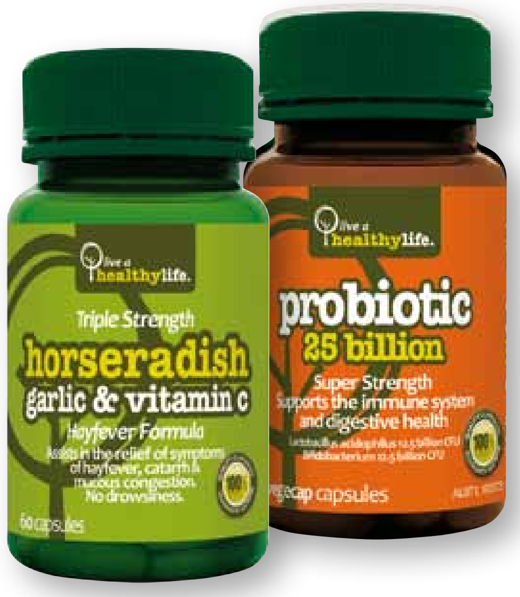
Beauty wholesaler representing more than 3,800 products from 104 brands including the Healthzone high margin own brands Aurinda, BOD Ecology and newly acquired natural skincare brands Trelivings and Evodia providing up to 70% gross profit margins. The pharmacy channel in Australia represents more than $1.1 billion in health and wellness sales and Jasham International is now positioned to secure significant revenues from its established 3,300 pharmacy and major account customer base in FY2011/12.

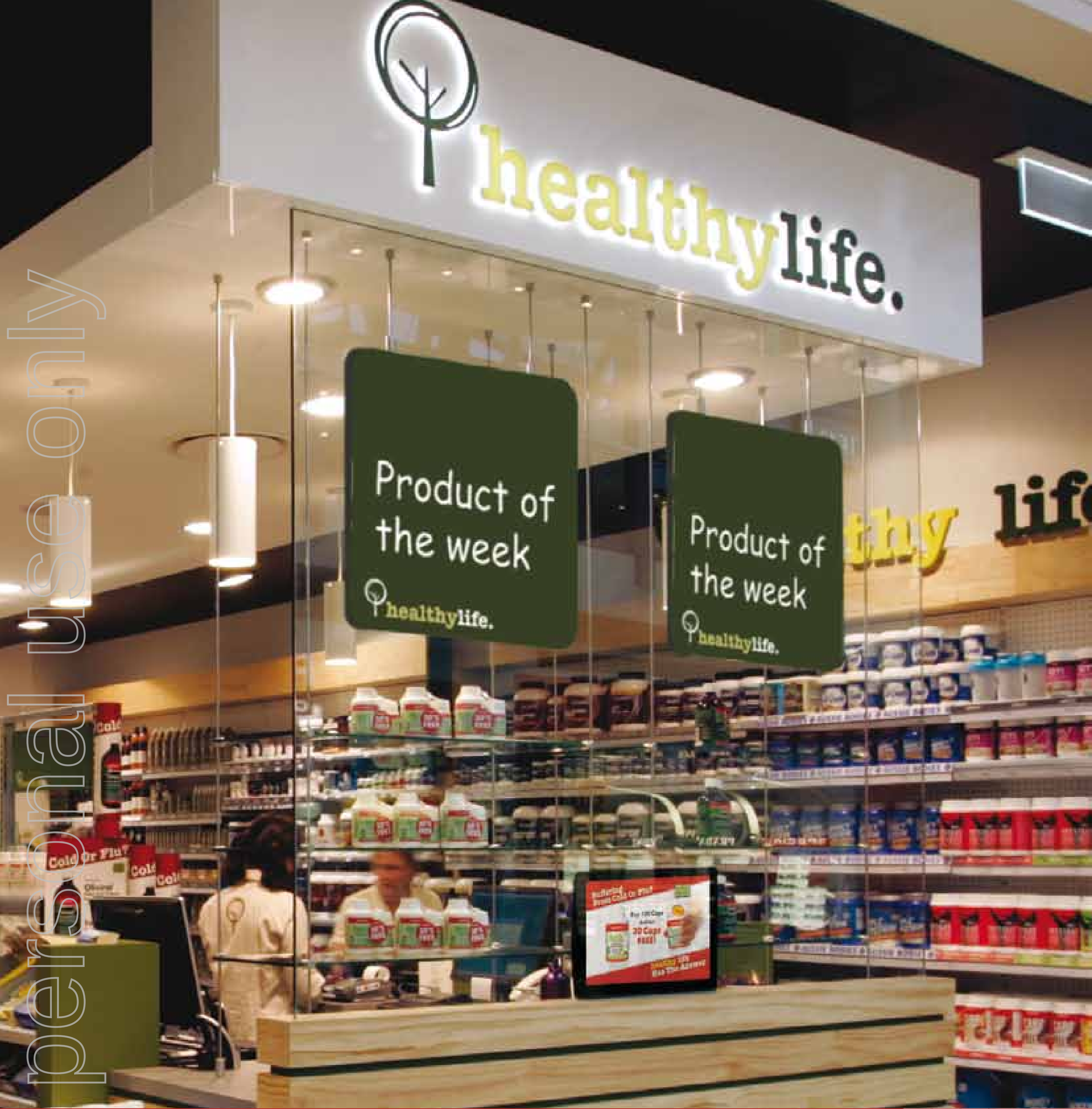
Outlook

The revenue reduction from the margin mix restructure strategy that commenced in FY2011 is expected to normalise into FY2012 with increasing revenues. These revenues, combined with higher margins from new product ranges, own brand and proprietary products currently being acquired, developed and launched in Australia and expanding Asian markets, are forecast to build considerably into FY2013. These product expansion efforts will be further supported by an expanding Healthy Life and alliance partner store network. We also expect 3rd Party supplier out of stocks to improve, so these sales should rebound as well in FY2012. With the full benefit of this strategy yet to be realised, revenues from higher margin products and improved earnings are forecasted to generate increased free cash available to fund future sustainable business growth.

I would like to thank the Healthzone Board, management and staff for their hard work and commitment during the year and I offer my genuine thanks to our shareholders for your continued support and for understanding what we are working together to achieve at Healthzone.

Peter Roach
Executive Chairman

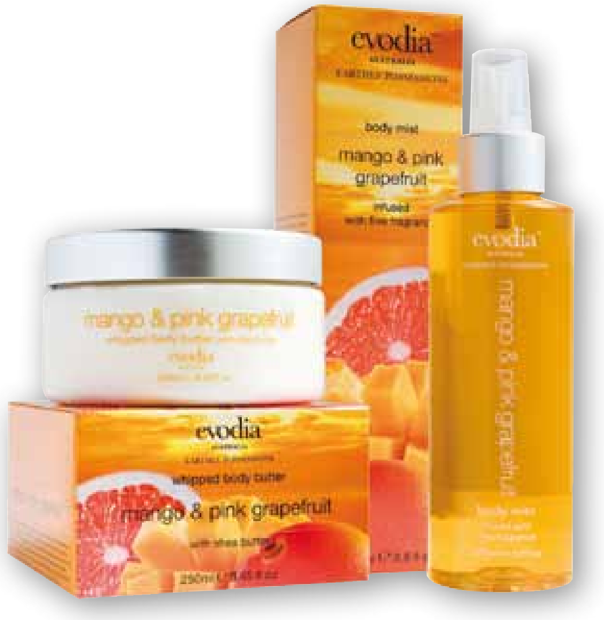




Healthzone has grown its proprietary brands portfolio to more than 600 products in response to demand for specialised health food products by national franchisees and wholesale customers.

REVIEW OF OPERATIONS

Healthzone operates a portfolio of distribution, consumer product and retail businesses and is the largest operator of its kind in the Australian Wellness Sector with significant and growing Asian and China wellness market interests. Each business provides immediate opportunities for earnings growth through business development and integration. Healthzone's businesses are comprised of three principal activities;



1. Company Owned Health & Beauty Products

- More than 175 "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. These products will be the target of further development of the significant export market potential.
- The "Aurinda" range of more than 60 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 which are sold exclusively through Healthy Life stores in Australia with exclusive distribution agreements in place in China.
- The Trelivings and Evodia natural and organic skincare ranges with an established 25 year history and sold through department stores, pharmacies and health food stores.

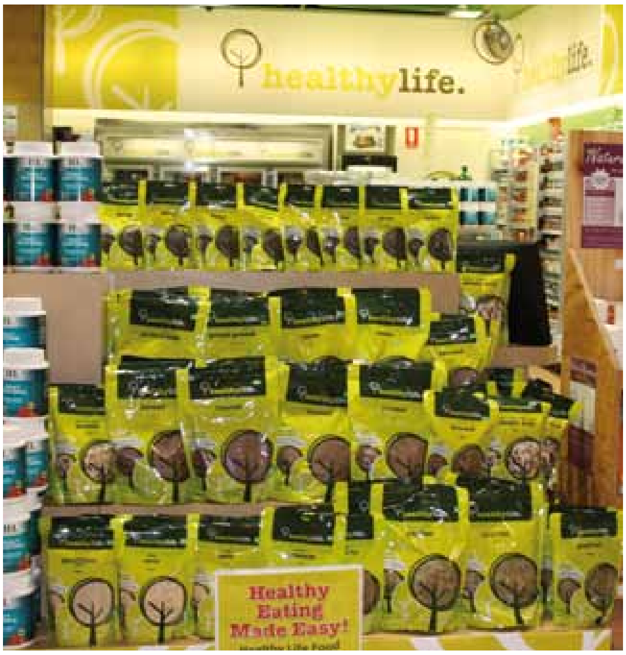
2. Wholesale Distribution

- Healthzone Solutions is Australia's largest national health food distributor with over 25 years experience, supplying over 5 million products from 170 suppliers.
- Jasham International is Australia's largest parallel market beauty and fragrance product distributor to more than 3,300 pharmacies and department stores in Australia.
- Healthzone International distributes through more than 1,600 outlets in China.
- Wholesale distribution in North America, Europe and Asia.

3. 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 31 company stores.
- 6 Healthy Life China stores now open in Shanghai expanding to 100 stores in 2012.
- The Healthy Life Catalogue, Australia's leading wellness products catalogue for retailers, which is complemented by electronic ordering, news and communications systems.

REVIEW OF OPERATIONS



- More than 556,000 registered loyalty club members.
- Access to over 300,000 consumer email addresses and 400,000 SMS numbers.

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 largest 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 600 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 175 products includes functional foods and "freefrom" 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 2012.

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.

Healthy Life Vitamins and Supplements

The Healthy Life range of vitamin and supplement products consists of more than 65 products with attractive gross profit margins. The Healthy Life 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 Healthy Life products with the support of Healthzone's national sales team.

Healthy Life Foods

The Healthy Life Foods range consists of more than 200 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 New Zealand.

The Bod range enjoyed continued international growth in FY2011. Healthzone has increased distribution of the Bod range to more than 300 stores with initiatives in progress to increase sales to Healthzone's 3,300 pharmacy customers. 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 fifteen times the size of the Australian market and growing at a faster rate. Healthzone expanded the Aurinda range with 17 new Manuka Honey products in FY2011 for sale in pharmacy and travel markets.

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

REVIEW OF OPERATIONS

benefits from marketing contributions and rebates from suppliers who sell their products through Healthzone's distribution channels, including the Healthzone Solutions 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.

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 90 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, and purchases by franchisees from Healthzone's distribution businesses, superior customer service, and consumer demand for health food products, brand marketing, merchandising and group purchasing power.

Healthy Life Franchise

Healthzone has strengthened 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.

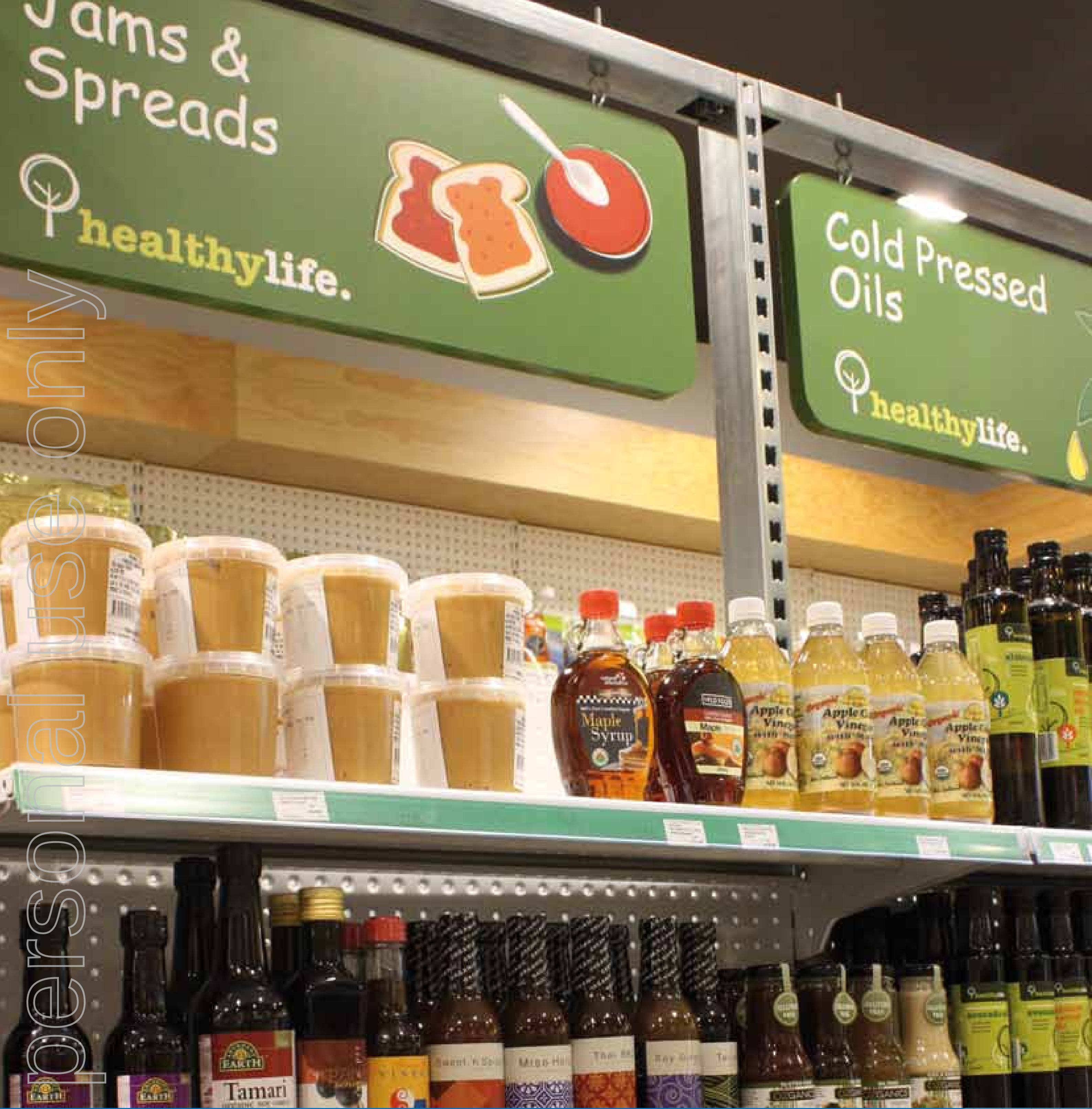
Healthzone is advancing the international growth of the Healthy Life franchise with the establishment of the retail model in China, initially opening Company stores to establish the model then growing through a franchise model. Healthy Life China will provide revenues and export pipeline for proprietary brands and provides Healthzone Solutions customers with direct access to China's large and growing health markets.

Enterprise Development

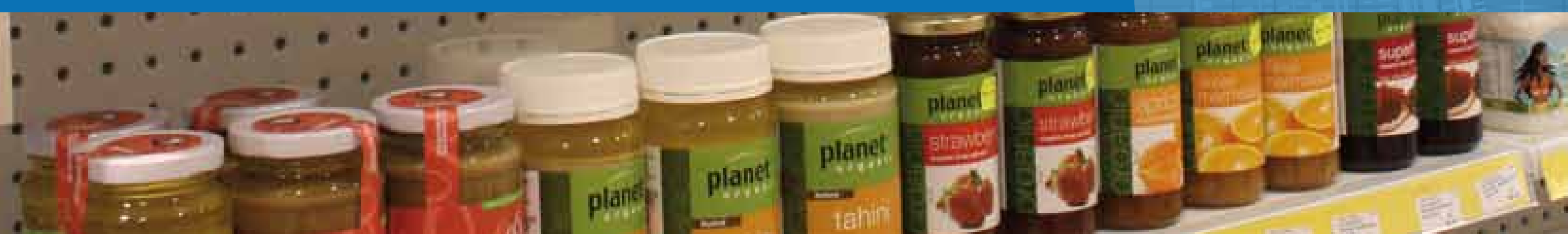
Healthzone has a global focus with continued overseas expansion opportunities being developed through overseas distributors and relocation of Executive Director Michael Wu to Shanghai.

Partnership opportunities are also under development with Eu Yan Sang in China and in ASEAN countries.

Mr Ian Spence of Eu Yan Sang has been appointed to the Healthzone Board as an Independent Director with Eu Yan Sang's CEO Mr Richard Eu appointed as his alternate. Healthy Life has employed an experienced National Franchise Manager tasked with the growth of franchise store numbers in the Australian market. Healthzone will continue to seek brand acquisition opportunities that will further add value to the group.



The Healthy Life range consists of more than 300 proprietary food and nutritional supplement 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.



DIRECTORS' REPORT

Your Directors present this report on the consolidated entity (referred hereafter as the Group or Healthzone), consisting of Healthzone Limited (the Company) and the entities it controlled at the end of, or during the year ended 30 June 2011.

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 - resigned 30 November 2010

Guy Robertson - appointed 28 May 2010

Ian Spence - appointed 30 November 2010

Richard Eu - (alternate to Ian Spence)
appointed 3 March 2011

Company Secretary

The Company Secretary is Guy Robertson, who replaced Michael Jenkins effective 31 March 2011.

Principal Activities

Healthzone is a distributor, producer, franchisor and retailer of health and beauty products. The Group's operations include production of more than 600 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 and overseas franchise operations.

During the financial year the Group engaged in the licencing of company owned store operations to third parties.

The were no other significant changes in the principal activities during the year.

Dividends

The Directors of the Group recommend that no dividend be paid in respect of the year ended 30 June 2011 (2010: Nil).

Review of Operations

Please refer to page 7 for the review of operations relating to the year ended 30 June 2011.

Operating Results

The net profit after tax of the consolidated entity for the year ended 30 June 2011 was $3.0 million (2010: $4.4 million). Income tax expense for the year was $1.0 million (2010: $1.3 million). In the opinion of the Directors, the results of the operations of the consolidated entity for the year ended 30 June 2011 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 26 to the financial report, no matter or circumstance has arisen since 30 June 2011 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 and Expected Results

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

Environmental Regulation

The Group is not subject to significant environmental regulation under a law of the Commonwealth or of a state or territory.

DIRECTORS' REPORT

Qualifications, Experience and Responsibilities of Directors and Company Secretary

Peter Roach
MAICD

Executive Chairman

Peter Roach has more than 27 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.

Guy Robertson
B.Com (Hons.), CA, MAICD

Non-executive Director and Company Secretary

Guy has more than 29 years experience in finance as a senior executive in both Australia and Hong Kong. He has previously held roles as General Manager of Finance of Franklins Limited, Chief Operating Officer of the Colliers Jardine Group and Finance Director of Jardine Australian Insurance Brokers. Guy is a Chartered Accountant, holds a Bachelor of Commerce Degree with Honours and is a Member of the Australian Institute of Company Directors.

Guy was appointed Company Secretary in March 2011.

Current And Former Directorships In Last 3 Years

Nil.

Ian Spence
B.Com, CA

Non-executive Director

Ian Spence was appointed as a Company Director in November 2010.

Ian is an independent and long term director of Eu Yan Sang International Limited and MTQ Corporation Limited which are both listed on the Singapore Exchange and ISS Group Limited which is listed on the Australian securities Exchange. Ian is the Board representative of Eu Yan Sang International Limited, Healthzone's largest shareholder, and provides a strategic interface between Eu Yan Sang and Healthzone adding a wealth of experience to the Healthzone Board while assisting in the acceleration of mutually strategic initiatives currently advancing the Asean and China regions.

Ian holds a Bachelor of Commerce degree, is a Chartered Accountant and a fellow of the Singapore Institute of Company Directors.

Current And Former Directorships In Last 3 Years

Eu Yan Sang International Limited (appointed December 2002)

MTQ Corporation Limited (appointed January 2002)

ISS Group Limited (appointed July 2004)

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	1,920,672	2,500,000
Michael Ge Wu	9,750,825	-
Guy Robertson	22,000	-
Ian Spence	-	-

Meetings of Directors

There were 8 meetings of the Board during the year ended 30 June 2011.

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		Remuneration and Nomination Committee		Audit, Risk and Compliance Committee	
Directors & Offices	Date of Appointment	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Peter Roach	04/05/2007	8	8	2	2	-	-
Michael Ge Wu	08/03/2006	8	8	-	-	2	2
Michael Jenkins*	27/08/2009	4	4	-	-	-	-
Guy Robertson	28/05/2010	8	8	2	2	2	2
Ian Spence**	30/11/2010	4	3	-	-	-	-
Richard Eu***	02/03/2011	4	1	-	-	-	-

* Resigned 30 November 2010
** Appointed 30 November 2010
*** (Alternate to Ian Spence) appointed 2 March 2011

Remuneration Report (Audited)

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

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 as required by section 308 (3C) of the Corporations Act 2001.

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 thousand.

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, which provides a mix of fixed and variable pay, is appropriate with respect to the Company's potential performance, and competitive to enable the Company to attract and retain key executives.

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 Executives. 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.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Executive Directors and Executives. There have been two methods applied in achieving this aim, the first being a performance-based bonus focused on KPI's, and the second being the issue of options to the majority of Executive Directors and Executives. The Company believes this policy is increasing shareholder wealth.

The following table has been prepared to give Healthzone shareholders a clear view of the alignment of key organizational performance measures compared to changes in Director's and Senior Executives remuneration.

	2008	2009	% Change	2010	% Change	2011	% Change
Company Performance							
EBITDA ($'000)	4,771	6,467	36%	8,982	39%	8,119	-10%
EPS (cents)	6.6	6.9	5%	8.0	16%	3.6	-55%
Dividends (cents)	-	-	-	-	-	-	-
Share price at year end (cents)	0.60	0.38	-37%	0.29	-24%	0.36	24%
Executive Director Remuneration ($)							
Michael Ge Wu (1)	43	60	40%	60	-	60	-
Peter Roach (2)	105	151	44%	250	66%	456	82%
Michael Jenkins (3)	-	163	100%	245	50%	228	-7%
Non-Executive Director Remuneration ($)							
Guy Robertson (4)	-	-	-	4	-	50	1,150%
Ian Spence (5)	-	-	-	-	-	29	100%
Executive Remuneration ($)							
Guy Robertson (4)	74	-	-	-	-	-	-
Matthew Jinks (6)	-	292	-	290	-1%	354	22%
Geoffrey Sainsbury (7)	-	109	-	162	49%	187	15%

Healthzone Limited listed on the ASX on 8 November 2006

The above table excludes Directors and Executives who have not served during the current or prior year

(1) Appointed Executive Director 8 March 2006.

(2) Appointed Non Executive Director 4 May 2007. Appointed Managing Director 1 January 2008. Increase in remuneration reflects changing role to include Chief Executive Officer position.

(3) Commenced as Chief Financial Officer 29 September 2008. Appointed Company Secretary 19 December 2008 and Finance Director 27 August 2009. Resigned as Finance Director 30 November 2011. Resigned as Company Secretary 31 March 2011. Resigned as Chief Financial Officer 30 June 2011.

(4) Appointed Company Secretary and Chief Operating Officer 6 November 2006. Resigned 19 December 2008. Appointed Non Executive Director 28 May 2010. Appointed Company Secretary 31 March 2011.

(5) Appointed Non Executive Director 30 November 2010.

(6) Appointed General Manager of Operations 7 July 2008. Resigned 30 June 2011. Increase in remuneration includes eligible termination payments.

(7) Appointed General Manager of Retail 8 September 2008. Resigned 25 May 2011.

Performance Income as a Proportion of Total Remuneration

Executive Directors and Executives are paid performance-based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration Committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Group.

The Remuneration Committee will review the performance bonuses to gauge their effectiveness against achievement of set goals, and adjust future year incentives to reward the achievement of designated outcomes.

These performance conditions have been chosen because they reflect the Group's strategies for growth and increased shareholder wealth, in respect of which the Executive Directors play a crucial role.

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 2011 and 30 June 2010 are set out in the following tables:

Remuneration of Directors and Key Management Personnel
Year Ended 30 June 2011

	Short-Term Benefits			Post Employment Benefits	Share Based Payment	Long-Term Benefits		
Name	Cash Salary and Fees $ '000	Cash Bonus $ '000	Non Monetary Benefits $ '000	Super-annuation $ '000	Share Options $ '000	Long Service Leave $ '000	Total $ '000	Performance Related %
Executive Directors								
Michael Ge Wu	60	-	-	-	-	-	60	-
Peter Roach	375	47	-	-	34	-	456	10.3%
Michael Jenkins*	202	8	-	18	-	-	228	-
Sub-Total Executive Directors	637	55	-	18	34	-	744	7.4%
Non-Executive Directors								
Guy Robertson	50	-	-	-	-	-	50	-
Ian Spence**	29	-	-	-	-	-	29	-
Sub-Total Non-Executive Directors	79	-	-	-	-	-	79	-
Other Key Management Personnel								
Matthew Jinks***	247	40	29	38	-	-	354	11.3%
Geoffrey Sainsbury****	187	-	-	-	-	-	187	-
Sub-Total Other Key Management Personnel	434	40	29	38	-	-	541	7.4%
Total	**1,150**	**95**	**29**	**56**	**34**	**-**	**1,364**	**7.0%**

* Resigned as Finance Director 30 November 2011. Resigned as Company Secretary 31 March 2011. Resigned as Chief Financial Officer 30 June 2011.
** Appointed Non Executive Director 30 November 2010.
*** Resigned 30 June 2011. During the year ended 30 June 2011 Mr. Jinks received $120 thousand in bonuses relating to the last 3 years of service.
**** Resigned 25 May 2011.

Remuneration of Directors and Key Management Personnel
Year Ended 30 June 2010

	Short-Term Benefits			Post Employment Benefits	Share Based Payment	Long-Term Benefits		
Name	Cash Salary and Fees $ '000	Cash Bonus $ '000	Non Monetary Benefits $ '000	Super-annuation $ '000	Share Options $ '000	Long Service Leave $ '000	Total $ '000	Performance Related %
Executive Directors								
Michael Ge Wu	60	-	-	-	-	-	60	-
Peter Roach	250	-	-	-	-	-	250	-
Michael Jenkins	200	25	-	20	-	-	245	-
Sub-Total Executive Directors	510	25	-	20	-	-	555	5.5%
Non-Executive Directors								
Guy Robertson	4	-	-	-	-	-	4	-
Sub-Total Non-Executive Directors	4	-	-	-	-	-	4	-
Other Key Management Personnel								
Matthew Jinks	200	53	20	17	-	-	290	18.3%
Michael Trevaskis	105	7	14	9			135	5.2%
Geoffrey Sainsbury	140	-	14	8	-	-	162	-
Michael Barwick	197	-	20	5	-	-	222	-
Sub-Total Other Key Management Personnel	642	60	68	39	-	-	809	7.4%
Total	**1,156**	**85**	**68**	**59**	**-**	**-**	**1,368**	**6.2%**

C. Service Agreements

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.

An incentive bonus element of Directors' remuneration is determined in relation to achievements of profit targets and KPIs. The performance conditions do not involve a comparison with factors external to the Group.

Remuneration of senior executives is assesed with regard to normal commercial rates of remuneration for similar levels of responsibility, experience and skill. In addition, a portion of the aggregate remuneration of each senior executive comprises an incentive bonus related to performance of those parts of the Group's operations which are relevant to the executives' responsibilities.

Service agreements of Directors and Key Management Personnel are for an indefinite period subject to annual review by the Remuneration and Nomination Committee.

The actual remuneration of directors and key executives is determined by the Remuneration and Nomination committee. There is no specific term in the individual contracts that would affect the compensation of directors or key management personnel in future periods.

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.

Director's fees, for the financial year ended 30 June 2011 of $60 thousand per annum, to be reviewed annually by the Remuneration and Nomination Committee. Michael is a director of MGR Pty Ltd that received consultancy fees of $125 thousand for brand development and warehousing services that have been approved by the Board on normal commercial terms – see Note 27 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, Executive Chairman and Chief Executive Officer

Appointed 4 May 2007.

Base remuneration for the financial year ended 30 June 2011 of $375 thousand per annum, to be reviewed annually by the Remuneration and Nomination Committee.

Consultancy fees of $15 thousand for brand development services provided by Mr Roach were paid to Colroa Trust a related entity. These fees have been approved by the Board on normal commercial terms – see Note 27 Related Party Transactions.

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

Guy Robertson – Non-Executive Director and Company Secretary

Appointed 28 May 2010. Appointed Company Secretary 31 March 2011.

Director's fees for the financial year ending 30 June 2011 of $50 thousand per annum, to be reviewed annually by the Remuneration and Nomination 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.

Ian Spence – Non-Executive Director

Appointed 30 November 2010.

Director's fees for the financial year ending 30 June 2011 of $45 thousand per annum, to be reviewed annually by the Remuneration and Nomination 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 – Chief Financial Officer

Resigned 30 June 2011.

Base salary, inclusive of superannuation, for the financial year ended 30 June 2011 of $220 thousand, to be reviewed annually by the Remuneration and Nomination Committee.

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

Matthew Jinks – General Manager Of Operations

Resigned 30 June 2011.

Base salary, inclusive of superannuation, for the financial year ended 30 June 2011 of $285 thousand, to be reviewed annually by the Remuneration and Nomination Committee.

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

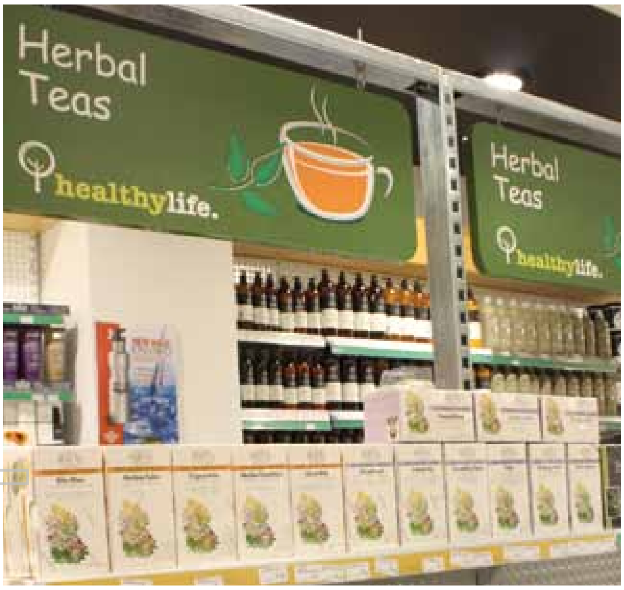
Geoffrey Sainsbury – General Manager Of Retail

Resigned 25 May 2011.

Base salary for the financial year ended 30 June 2011 of $190 thousand, to be reviewed annually by the Remuneration and Nomination Committee.

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

DIRECTORS' REPORT



New Management Appointments

Since 1 July 2011 the following executive appointments have been made:

Chief Financial Officer - David Fletcher

General Manager Retail - Garth Parker

General Manager Brands - John Thomas

General Manager Marketing - Dennis Limbert

General Manager Supply - Scott Horwell

D. Share – Based Compensation

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.

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.

Refer to Note 35 for further details of share-based payments for the year ended 30 June 2011.

There were no options exercised during the financial year ended 30 June 2011.

Indemnifying and Insurance of Directors and Officers

The Company's Directors and Officers insurance policy was renewed on 30 September 2010. The Company paid a premium of $23,968 on 1 October 2010 to 31 October 2011.

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 willful 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, in accordance with advice from the Audit, Risk and Compliance Committee, 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:

	Consolidated	
	2011	2010
	$ '000	$ '000
Assurance Services		
1. Audit Services		
Fees paid to PKF East Coast Practice:		
- Audit and review of financial reports	279	163
Fees paid to related practice of PKF East Coast Practice:		
- Audit and review of financial reports	-	6
Total remuneration for audit services	279	169
2. Other Assurance Services		
Fees paid to PKF East Coast Practice:		
- Services provided for business acquisitions and general professional advice	21	79
Total remuneration for other assurance services	21	79
Total remuneration for assurance services	300	248
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	152	80
Total remuneration for taxation services	152	80

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

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.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial report and this report have been rounded to the nearest thousand dollars.

Peter Roach
Executive Chairman

Michael Wu
Executive Director

Dated at Sydney Friday 30 September 2011

PKF
Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the Directors of Healthzone Limited and the entities it controlled during the year.

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- 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.

Grant Saxon
Partner

30 September 2011

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

The Bod range of premium skincare and beauty products enjoyed continued international growth in FY2011. Healthzone has increased distribution of the Bod range to more than 300 stores with initiatives in progress to increase sales to Healthzone's 3,300 pharmacy customers.

CORPORATE GOVERNANCE

Healthzone Limited ("the Company") and its board of Directors ("the 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. The framework and policies as at the date of this report are available from the investor section of the Company's website www.healthzone.com.au, including the Company's:

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

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 and 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.

On 30 June 2010 the ASXCGC released amendments to the second edition in relation to diversity, renumeration, trading policies and briefings which applied to the Company from 1 January 2011.

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 senior management of the Company, the Audit, Risk and Compliance Committee and Remuneration and Nomination Committee ("the Committees").

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;

CORPORATE GOVERNANCE

- 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, 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 Committees outlined above, and senior management. The delegations to the Committees, which are led by the Committee Chairman, and to senior management 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.

Principle 2

Structure the Board to Add Value

Board Composition

The Board has two executive directors and two non-executive directors. The names, date of first appointment and status of the Company's directors are set out in the Directors' Report. More details on the background qualifications and particular skills of these directors are provided in Qualifications, Experience and Responsibilities of Directors section of the Director's Report.

Director Independence

Directors are expected to bring independent views and judgement 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 the investor section of the Company's website at 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.

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

Meetings of the Board

The Board meets formally on a regular basis 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 general 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 general meeting following their appointment) without submitting themselves for re-election.

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

Committees of the Board

Included in the Committees outlined above is a standing Audit, Risk and Compliance Committee and a Remuneration and Nomination Committee which assists the Board in the discharge of its responsibilities.

The Remuneration and Nomination Committee is comprised of Guy Robertson (Chair), Peter Roach (Executive) and Ian Spence (Non-Executive).

Both Committees review matters on behalf of the Board and make recommendations for consideration by the entire Board.

The charters for these committees are 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 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.

For more information on the Code of Ethics please refer to the investor section of the Company's website at www.healthzone.com.au

In light of recent amendments to the Corporate Governance principles effective 1 January 2011 the Board is in the process of implementing measurable objectives regarding the achievement of best practice guidelines in relation to gender diversity. The Board will report on the next year's statement the results of this process.

Principle 4

Safeguard Integrity in Financial Reporting

The Audit, Risk and Compliance 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.

The Audit, Risk and Compliance Committee is comprised of Guy Robertson (Chair) and Michael Wu (Executive). The Committee held two meetings during the year ended 31 June 2011.

The charter for this Committee which outlines its composition and responsibilities can be found on the investor section of the Company's website at www.healthzone.com.au.

Appointment of Auditors

The Group's current external auditors are PKF Chartered Accountants and Business Advisors. The effectiveness, performance and independence of the external auditors is reviewed by the Audit, Risk and Compliance Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit, Risk and Compliance 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;
- Annual 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 and 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, Risk and Compliance 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 profile 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

Remuneration and Nomination Committee

As detailed under Principle 2, the Company has established a Remuneration and Nomination Committee which is responsible for reviewing executive remuneration and the Company's remuneration policies in accordance with ASX guidelines.

Membership of this Committee is comprised of Guy Robertson (Chair), Peter Roach (Executive) and Ian Spence (Non-Executive). The Committee held two meetings during the year ended 30 June 2011.

The primary purpose of the Remuneration and Nomination 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 Board has set clearly distinguished guidelines to establish and differentiate the structure of non-executive directors' remuneration from that of executive directors and senior executives.

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

FINANCIALREPORT2011

Healthzone Limited

Income Statement

For the Year Ended 30 June 2011

	Notes	Consolidated 2011 $ '000	2010 $ '000
Revenue from continuing operations	5	93,543	112,693
Other income	5	106	323
Raw materials and consumables used		(59,208)	(84,527)
Freight		(1,654)	(2,055)
Employee benefits expense		(12,601)	(9,352)
Depreciation and amortisation expense	6	(889)	(325)
Professional and consulting expenses		(1,115)	(632)
Operating lease rental expenses	6	(5,083)	(2,676)
Selling and marketing expenses		(3,008)	(2,303)
Travel expenses		(349)	(270)
Interest and finance charge expenses	6	(3,287)	(2,952)
Other expenses		(2,524)	(2,229)
Share of net profits of associates accounted for using the equity method	32	10	
Profit before income tax		**3,943**	**5,705**
Income tax expense	7	(975)	(1,311)
Profit attributable to members of Healthzone Limited		**2,968**	**4,394**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	34	3.6 cents	8.0 cents
Diluted earnings per share	34	3.6 cents	8.0 cents

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

Healthzone Limited

Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Consolidated	
	2011 $ '000	2010 $ '000
Net profit for the period	2,968	4,394
Other comprehensive income		
Foreign currency translation	(363)	(397)
Other comprehensive income for the period net of tax	(363)	(397)
Total comprehensive income for the year	**2,605**	**3,997**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Healthzone Limited

Statement of Financial Position

For the Year Ended 30 June 2011

	Notes	Consolidated 2011 $ '000	2010 $ '000
ASSETS			
Current assets			
Cash and cash equivalents	8	701	2,482
Trade and other receivables	9	24,400	20,878
Inventories	10	8,751	12,190
Total current assets		**33,852**	**35,550**
Non-current assets			
Other receivables	9	8,242	5,933
Investments accounted for using the equity method	11	912	900
Property, plant and equipment	12	2,910	2,494
Deferred tax assets	13	3,332	2,853
Intangible assets	14	39,147	36,428
Other financial assets	15	286	14
Total non-current assets		**54,829**	**48,622**
Total assets		**88,681**	**84,172**
LIABILITIES			
Current liabilities			
Trade and other payables	16	28,770	33,937
Borrowings	17	4,153	3,815
Current tax liabilities	7	143	489
Provisions	18	367	539
Total current liabilities		**33,433**	**38,780**
Non-current liabilities			
Borrowings	17	12,550	10,943
Deferred tax liabilities	19	2,926	1,594
Provisions	18	137	72
Total non-current liabilities		**15,613**	**12,609**
Total liabilities		**49,046**	**51,389**
Net assets		**39,635**	**32,783**
EQUITY			
Contributed equity	20	22,386	21,704
Reserves	21	2,774	(428)
Retained profits	21	14,475	11,507
Total equity		**39,635**	**32,783**

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

Healthzone Limited

Statement of Changes in Equity

For the Year Ended 30 June 2011

	Note	Contributed Equity $'000	Retained Profits $'000	Prepaid Share Reserve $'000	Share Option Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance as at 1 July 2009		**12,566**	**7,113**	**-**	**-**	**(31)**	**19,648**
Total comprehensive income for the year		-	4,394	-	-	(397)	3,997
Contribution of equity, net of transaction costs	20	9,138	-	-	-	-	9,138
Balance as at 30 June 2010		**21,704**	**11,507**	**-**	**-**	**(428)**	**32,783**
Total comprehensive income for the year		-	2,968	-	-	(363)	2,605
Contribution of equity, net of transaction costs	20	682	-	-	-	-	682
Increase in equity related to share based payments	21	-	-	-	34	-	34
Increase in equity related to prepaid share capital	21	-	-	3,531	-	-	3,531
Balance as at 30 June 2011		**22,386**	**14,475**	**3,531**	**34**	**(791)**	**39,635**

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

Healthzone Limited

Statement of Cash Flows

For the Year Ended 30 June 2011

	Notes	Consolidated 2011 $ '000	2010 $ '000
Cash flows from operating activities			
Receipts from customers and licensees (inclusive of goods and services tax)		93,835	126,452
Payments to suppliers and employees (inclusive of goods and services tax)		(94,481)	(121,760)
Income taxes paid		(100)	(113)
Net cash inflow / (outflow) from operating activities	33	(746)	4,579
Cash flows from investing activities			
Interest received		21	20
Payments for property, plant and equipment		(959)	(170)
Payment for purchase of business		-	(38)
Payment for investment in wholly owned subsidiaries		(986)	(2,717)
Payment for purchase of intangibles		(1,884)	(1,757)
Proceeds from sale of property, plant and equipment		-	13
Net cash (outflow) from investing activities		(3,808)	(4,649)
Cash flows from financing activities			
Interest and finance charge expenses*		(3,626)	(2,952)
Proceeds from issues of shares		4,933	6,748
Share issue transaction costs		(1,170)	(1,122)
Proceeds from borrowing		25,355	135
Repayment of borrowing		(22,580)	(2,679)
Net cash inflow from financing activities		2,912	130
Net increase / (decrease) in cash and cash equivalents		(1,642)	60
Cash and cash equivalents at the beginning of the financial year		2,482	2,420
Effects of exchange rate changes on cash and cash equivalents		(139)	2
Cash and cash equivalents at the end of the financial year	8	701	2,482

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

* Refer to Note 1(Aa)

Note 1 Summary Of Significant Accounting Policies

Healthzone Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("HZL") and the OTCQX exchange in the United States of America ("HLTZY") and is the ultimate parent entity in the Group. The consolidated financial report of the Company for the year ended 30 June 2011 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 financial statements for 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

The consolidated financial statements comply with Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety ensuring that the financial report of Healthzone Limited complies with International Financial Reporting Standards (IFRS).

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.

Going concern

The financial report has been prepared on the basis of going concern. The consolidated entity experienced negative operating cash flows for the year ended 30 June 2011, however, the Directors' assessment of going concern has been made based on the ability of the consolidated entity to fund future operations through the generation of profits and cash flows from continuing operations. No assets are likely to be realised for an amount less than the amount recorded in the financial statements as at 30 June 2011 and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary in the unlikely event that the consolidated entity be unable to continue as a going concern.

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Healthzone Limited ("Company") as at 30 June 2011 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee.

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 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 income is calculated based on the sales of goods and is recognised when goods are sold to customers.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Licence income is recognised when the licence rights are granted to the customer.

When the outcome of a contract to provide services can be estimated reliably, net revenue is recognised by reference to the percentage of services performed.

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.

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.

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 end of the lease term.

(i) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(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 holds. 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.

(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 them 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.

(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 3 - 8 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.

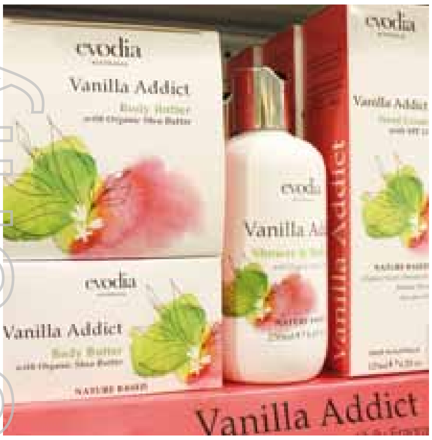
Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Product Development Costs

Research expenditure is recognised as an expense as incurred. Costs incurred 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

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011



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 balances are reviewed annually and any balances 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 services related to the project. Software development costs are depreciated following the completion of the development over a five year period.

(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.

(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.

Funds received in advance for shares to be issued in future periods are shown as an increase in equity reserves unless the share issue is conditional on uncertain future events, in which case the amounts received are shown as a liability

(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 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 9: Financial Instruments.

Simplifies the classifications of financial assets into two categories, those carried at amortised cost; and those carried at fair value.

Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately.

Removes the tainting rules associated with held-to-maturity assets.

Investments in equity instruments that are not held for trade can be designated at fair value through other comprehensive income, with only dividends being recognised in profit and loss.

Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. The Group will adopt the revised standard from 1 July 2013.

ii) AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

This Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them. The Group will adopt the revised standards from 1 July 2011.

iii) AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9

The Standard makes numerous amendments to Australian Accounting Standards and Interpretations listed above as a result of the amendments to AASB 9. The Group will adopt the revised standard from 1 July 2013.

iv) AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets.

The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in AASB 140.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group will adopt the revised standard from 1 July 2012.

v) AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

These amendments are a consequence of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the FRSB. Phase 1 has addressed the harmonisation of financial reporting requirements across the Tasman in relation to for-profit entities that assert compliance with International Financial Reporting Standards (IFRSs). The Boards were keen to first address differences from IFRSs and between Australian and New Zealand Standards as they apply to for-profit entities, on the basis that such entities are the most likely to claim compliance with IFRSs and trade across the Tasman.

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. In some instances, the AASB has removed guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements. The Group will adopt the amended standards from 1 July 2011.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the consolidated entity.

(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.

(Aa) Change In Comparatives

When required by Accounting Standards or to provide relevant or reliable information, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Interest and finance charges have been reclassified from operating cash flows to financing cash flows for the year ended 30 June 2011 as it is considered more relevant information. Comparative figures in the report have been restated to enhance comparability.

Notes To The Financial Statements (Continued)

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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi (RMB), Singapore Dollar (SGD), Great British Pound (GBP), New Zealand Dollar (NZD), Euros (EU) 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, SGD, GBP, NZD, EU and USD. The Group monitors its exposure to foreign currency fluctuations periodically. The Group hedges its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts from time to time. The Group had no forward foreign exchange contacts in place as at 30 June 2011 (2010: nil).

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

	2011 $ '000	2010 $ '000
Financial assets		
Cash and cash equivalents (RMB)	186	708
Trade and other receivables (RMB)	1,466	1,825
	1,652	2,533
Financial liabilities		
Trade and other payables (RMB, USD, GBP and SGD)	932	2,065

Group Sensitivity

Based on the financial instruments held at 30 June 2011, 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 $13 thousand higher / lower (2010: $22 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 $70 thousand higher / lower (2010: $73 thousand higher / lower). Had the Australian dollar strengthened/ weakened by 5% against the SGD with all variables held constant, the Group's post-tax profit for the year would have been $2 thousand higher / lower (2010: $11 thousand higher / lower), mainly as a result of foreign exchange gains/losses on translation of financial instruments as detailed in the above table.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

(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 2011 and 2010, the Group's borrowing at variable rate were denominated in Australian Dollars.

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

2011	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)	1.7%	552	149	-	-	701
Trade and other receivables (Note 9)	-	-	-	-	22,212	22,212
Other receivables - current (Note 9)	-	-	-	-	4,404	4,404
Loans to other parties - non-current (Note 9)	10.0%	-	-	3,000	-	3,000
Loans to related parties - non-current (Note 9)	10.0%	-	-	1,013	-	1,013
Receivable from associate (Note 9)	10.0%	-	-	2,013	-	2,013
Investments in associates (Note 11)	-	-	-	-	912	912
Other financial assets (Note 15)	-	-	-	-	286	286
Total financial assets		**552**	**149**	**6,026**	**27,814**	**34,541**
Financial liabilities						
Trade payables (Note 16)	-	-	-	-	8,471	8,471
Other payables - current (Note 16)	-	-	-	-	6,048	6,048
Trade instruments (Note 16)	6.9%	14,251	-	-	-	14,251
Loan facilities (Note 17)	9.3%	1,825	-	-	-	1,825
Lease liabilities (Note 17)	9.9%	-	157	-	-	157
Commercial bills (Note 17)	8.0%	14,721	-	-	-	14,721
Total financial liabilities		**30,797**	**157**	**-**	**14,519**	**45,473**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Interest Rate Risk

2010	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	1.7%	1,776	706	-	-	2,482
Trade and other receivables - current	-	-	-	-	12,566	12,566
Other receivables - current	-	-	-	-	31,503	31,503
Loans to other parties - non-current	10.0%	-	-	3,000	-	3,000
Receivable from associate	10.0%	-	-	2,933	-	2,933
Investments in associates	-	-	-	-	900	900
Other financial assets	-	-	-	-	14	14
Total financial assets		**1,776**	**706**	**5,933**	**44,983**	**53,398**
Financial liabilities						
Trade payables	-	-	-	-	19,778	19,778
Other payables - current	-	-	-	-	6,770	6,770
Trade instruments	7.8%	7,389	-	-	-	7,389
Loan facilities	14.6%	770	-	-	-	770
Lease liability - current	10.4%	-	29	-	-	29
Commercial bills	9.3%	5,546	8,413	-	-	13,959
Total financial liabilities		**13,705**	**8,442**	**-**	**26,548**	**48,695**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

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:

	2011		2010	
	Weighted Average Interest Rate	Balance $'000	Weighted Average Interest Rate	Balance $'000
Trade instruments	6.88%	14,251	7.83%	7,389
Loan facilities	9.25%	1,826	14.58%	770
Commercial bills	8.04%	14,721	8.60%	5,546

As at the reporting date, the Group had the following fixed rate borrowings:

	2011		2010	
	Weighted Average Interest Rate	Balance $'000	Weighted Average Interest Rate	Balance $'000
Commercial bills	-	-	9.30%	8,414
Other	9.86%	157	10.43%	29

The Group 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 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 2011, 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 $108 thousand higher/lower (2010: change of 50 basis points: $45 thousand higher/lower).

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, 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 2011

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. 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	
	2011	2010
	$'000	$'000
Current trade and other receivables		
New customers	14,857	1,759
Existing customers with no defaults	3,329	14,241
Existing customer with some defaults, all recovered	4,159	4,257
Sub-total	**22,345**	**20,287**
Cash and cash equivalents	701	2,482
Receivable from associates	2,013	2,933
Loans to other entities	4,013	3,000
Investments accounted for using the equity method	912	900
Other financial assets	286	14

(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 had access to the following undrawn facilities at the reporting date:

	Consolidated	
	2011	2010
	$'000	$'000
Trade facilities	**94**	**1,611**

Maturities of Financial Assets and Liabilities

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

Assets	Less than 1 Year $ '000	Between 2 and 5 Years $ '000	Over 5 Years $ '000	Total Contractual Cash Flows $ '000	Carrying Amount (Assets)/ Liabilities
Group 30/06/2011 Amount	25,101	8,242	-	33,343	34,541
Group 30/06/2010 Amount	23,007	5,933	-	28,940	28,640

Liabilities	Less than 1 Year $ '000	Between 2 and 5 Years $ '000	Over 5 Years $ '000	Total Contractual Cash Flows $ '000	Carrying Amount (Assets)/ Liabilities
Group 30/06/2011 Amount	33,630	13,591	-	47,221	45,473
Group 30/06/2010 Amount	38,590	12,465	-	51,055	48,323

(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 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.

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) Impairment of inventories

The Group undertakes a detailed analysis of inventories held on a regular basis and writes off obsolete items as required. In addition management makes an impairment provision for items which cost exceeds net recoverable value.

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 are 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.

Note 4 Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided, the identity of service line manager and country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services

Retail

The retail business is engaged in the sale of vitamins and health supplements to the general public and the licencing of retail store operations to third parties. The retail business has been determined as both an operating segment and reportable segment.

Wholesale

The wholesale business is engaged in the production and wholesale of fragrances, beauty and health products. The wholesale business has been determined as both an operating segment and reportable segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the prior period accounts except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non-segmental expenses such as head office expenses and interest and non-segmental revenue such as interest and dividend income. Corporate charges are not allocated to business segments.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Dividend revenue
- Finance costs - including adjustments on provisions due to discounting.
- Impairment of assets - impairment of assets are not included in the measurement of segment profit or loss where they are not expected to recur.

Major customers

The Group has a number of customers to which it provides both products and services. No single customer accounts for more than 10% of the Group's total revenue.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

(a) Business Segments

The business 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.

2011	Wholesale $ '000	Retail $ '000	Intersegment Eliminations/ Unallocated $ '000	Consolidated $ '000
Revenue				
Sales revenue	60,091	30,655	-	90,746
Intersegment sales	9,899	-	(9,899)	-
Total sales revenue	**69,990**	**30,655**	**(9,899)**	**90,746**
Other revenue	591	2,194	12	2,797
Intersegment sales	185	-	(185)	-
Total revenue	**70,766**	**32,849**	**(10,072)**	**93,543**
Results				
Segment net operating profit before tax	1,072	10,885	-	11,957
Intersegment revenue less intersegment expenses	142	-	(142)	-
Unallocated revenue less unallocated expenses	-	-	(8,014)	(8,014)
Total net profit before tax	**1,214**	**10,885**	**(8,156)**	**3,943**
Income tax expense				(975)
Total net profit after tax				**2,968**
Interest revenue	-	-	761	761
Interest and finance expense	-	-	3,287	3,287
Depreciation and amortisation	500	349	40	889
Impairment of assets	-	-	-	-
Income tax expense	211	2,691	(1,927)	975
Segment assets				
Segment assets	51,372	16,297	-	67,669
Unallocated assets	-	-	21,012	21,012
Total assets	**51,372**	**16,297**	**21,012**	**88,681**
Investments in associate	-	912	-	912
Capital expenditure	2,674	1,280	-	3,954
Segment liabilities				
Segment liabilities	20,130	2,712	-	22,842
Unallocated liabilities	-	-	26,204	26,204
Total liabilities	**20,130**	**2,712**	**26,204**	**49,046**
Cash flow information				
Net cash inflow from operating activities	(604)	(142)	-	(746)
Net cash outflow from investing activities	(2,055)	(622)	(1,131)	(3,808)
Net cash inflow from financing activities	2,081	694	137	2,912

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

2010	Wholesale $ '000	Retail $ '000	Intersegment Eliminations/ Unallocated $ '000	Consolidated $ '000
Revenue				
Sales revenue	99,593	10,742	-	110,335
Intersegment sales	9,028	-	(9,028)	-
Total sales revenue	**108,621**	**10,742**	**(9,028)**	**110,335**
Other revenue	1,006	578	774	2,358
Intersegment other revenue	1,058	77	(1,135)	-
Total revenue	**110,685**	**11,397**	**(9,389)**	**112,693**
Results				
Segment net operating profit before tax	8,215	2,830	-	11,045
Intersegment revenue less intersegment expenses	(935)	77	858	-
Unallocated revenue less unallocated expenses	-	-	(5,340)	(5,340)
Total net profit before tax	**5,840**	**2,907**	**(3,042)**	**5,705**
Income tax expense				(1,311)
Total net profit after tax				**4,394**
Interest revenue	-	-	1,389	1,389
Interest and finance expense	-	-	2,952	2,952
Depreciation and amortisation	228	68	29	325
Impairment of assets	1,439	-	(1,439)	-
Income tax expense	1,253	668	(610)	1,311
Segment assets				
Segment assets	48,380	20,092	-	68,472
Unallocated assets	-	-	15,700	15,700
Total assets	**48,380**	**20,092**	**15,700**	**84,172**
Investments in associate	-	900	-	900
Capital expenditure	1,208	9,574	-	10,782
Segment liabilities				
Segment liabilities	27,083	5,250	-	32,333
Unallocated liabilities	-	-	19,056	19,056
Total liabilities	**27,083**	**5,250**	**19,056**	**51,389**
Cash flow information				
Net cash inflow from operating activities	4,128	451	-	4,579
Net cash outflow from investing activities	(39)	(918)	(3,692)	(4,649)
Net cash inflow from financing activities	(1,908)	(636)	2,674	130

(b) Reconciliations

i) Segment revenue reconciliation to the statement of comprehensive income

	2011 $'000	2010 $'000
Segment revenue	103,615	122,082
Inter-segment sales elimination	(10,084)	(10,163)
Unallocated revenue	12	774
Total revenue	**93,543**	**112,693**

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2011 $'000	2010 $'000
Australia	91,151	110,814
China	2,392	2,536
Less intersegment revenue	-	(657)
Total revenue	**93,543**	**112,693**

ii) Segment net operating profit before tax reconciliation to the statement of comprehensive income.

The board of directors meets on a regular basis to assess the performance of each segment by analysing the segments' profit before tax.

A segment's profit before tax excludes non operating items such as corporate and impairment charges

	2011 $'000	2010 $'000
Segment profit before tax	11,957	11,045
Corporate charges	(8,014)	(5,340)
Intersegment sales and expenses	142	(858)
Intersegment eliminations	(142)	858
Total net profit before tax per the statement of comprehensive income	**3,943**	**5,705**

iii) Segment assets reconciliation to the statement of financial position.

In assessing the segment performance on a monthly basis, the board of directors analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets exclude intersegment assets.

Reconciliation of segment operating assets to total assets	2011 $'000	2010 $'000
Segment assets	67,669	68,472
Corporate assets	21,012	15,700
Total assets per the statement of financial position	**88,681**	**84,172**

The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:

	2011 $'000	2010 $'000
Australia	50,444	45,673
China	109	82
Total	**50,553**	**45,755**

iv) Segment liabilities reconciliation to the statement of financial position.

Segment liabilities excludes corporate liabilities. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the liabilities of each segment in the monthly meetings.

	2011 $'000	2010 $'000
Segment operating liabilities	22,842	32,333
Corporate liabilities	26,204	19,056
Total liabilities per the statement of financial position	**49,046**	**51,389**

Note 5 Revenue

	Consolidated	
	2011 $ '000	2010 $ '000
Sales revenue		
Sales of goods to external customers	79,035	104,678
Sales of goods to other related parties	175	2,614
Licence, royalty, franchise and other sales revenue	11,536	3,043
Total sales revenue	**90,746**	**110,335**
Other revenue		
Interest income from financial institutions	21	20
Interest income from other parties	740	1,369
Change in contingent consideration	1,200	-
Other revenue	836	969
Total other revenue	**2,797**	**2,358**
Total revenue	**93,543**	**112,693**
Other income		
Foreign exchange gain	106	323
Total other income	**106**	**323**

Note 6 Expenses

Profit before income tax expense includes the following specific expenses:

	Consolidated	
	2011 $ '000	2010 $ '000
Profit before income tax expense includes the following specific expenses:		
Depreciation		
Fixtures and fittings	307	49
Plant and office equipment	202	158
Information technology	18	25
Motor vehicles	16	9
Total depreciation	**543**	**241**
Amortisation		
Product development	244	59
Software development	36	25
Financial assets	66	-
Total amortisation	**346**	**84**
Total depreciation and amortisation	**889**	**325**
Rental expenses relating to operating leases	5,083	2,676
Interest and finance charge expenses	3,287	2,952
Superannuation expense	916	657
Impairment losses – financial assets:		
Trade and other receivables	59	70
Inventory	92	159

Note 7 Income Tax

Profit before income tax expense includes the following specific expenses:

	Consolidated	
	2011 $ '000	2010 $ '000
(a) Income tax expense		
Current tax	96	1,052
Deferred tax assets	(479)	320
Deferred tax liability	1,332	272
Adjustments for current tax of prior periods	26	(333)
Total	**975**	**1,311**
Income tax expense is attributable to:		
Profit from continuing operations	975	1,311
Aggregate income tax expense	**975**	**1,311**

	Notes	Consolidated 2011 $ '000	2010 $ '000
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:			
Profit from continuing operations before income tax expense		3,943	5,705
Tax at the Australian tax rate of 30% (2010 - 30%)		**1,183**	**1,711**
Difference in overseas tax rate		(22)	(49)
Over provision in prior years		26	(334)
Non-deductible expenses / non-assessable revenue		(212)	(17)
Income tax expense		**975**	**1,311**
(c) Temporary differences			
Temporary differences relating to expenses not immediately deductible for tax purposes:			
- employee provisions		502	581
- other provisions		737	104
- legal fees and other		318	821
- property, plant and equipment		401	316
- inter company sales		1,537	218
- accrued expenses		152	241
Total temporary differences		**3,647**	**2,281**
Deferred tax assets relating to the above temporary differences at 30%		1,094	685
Deferred tax assets relating to tax losses		2,238	1,110
Deferred tax assets recognised on business acquisitions		-	1,058
Total deferred tax assets		**3,332**	**2,853**
Temporary differences relating to income not immediately assessable for tax purposes:			
- accrued income		5,754	2,901
- intangibles: product and software development		3,995	2,409
- other		5	4
Total temporary differences		**9,754**	**5,314**
Deferred tax liability relating to the above temporary differences at 30%		**2,926**	**1,594**
(d) Current tax liabilities			
Provisions for income tax		**143**	**489**

(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.

Note 8 Cash and Cash Equivalents

	Consolidated	
	2011 $ '000	2010 $ '000
Cash at bank and on hand	701	2,482

Note 9 Trade and Other Receivables

	Consolidated	
	2011 $ '000	2010 $ '000
Current		
Trade receivables	19,996	12,566
Receivables from directors' related parties	496	-
Government grant (EMDG) receivable	100	210
Share capital proceeds receivable	-	2,252
Marketing contributions receivable	983	568
Prepaid capital raising costs	917	760
Other receivables and prepayments	1,908	4,522
Total	**24,400**	**20,878**
Non-current		
Receivable from associate (1)	2,013	2,933
Loans to other parties (2)	3,000	3,000
Loans to related parties (3)	1,013	-
Receivable from licensees	2,216	-
Total	**8,242**	**5,933**

(1) This receivable is due from Healthy Life China Pty Limited and is usecured. Interest is receivable at commercial rates.
(2) The receivable is part secured by securities held by the borrower. Interest is receivable at commercial rates.
(3) Refer to Note 27 for further details.

(a) Impaired Trade Receivables

As at 30 June 2011, current trade receivables of the Group with a nominal value of $133 thousand (2010: $74 thousand) were impaired. The amount of the provision was $133 thousand (2010: $74 thousand).

	Consolidated	
	2011 $ '000	2010 $ '000
60 – 90 days	-	-
Over 90 days	133	74
Total impaired trade receivables	**133**	**74**
Balance at the beginning of the year	74	29
Allowance for impairment recognised during the year	98	88
Receivables written off during the year as uncollectable	(39)	(43)
Balance at the end of the year	**133**	**74**

(b) Past Due But Not Impaired

As at 30 June 2011, consolidated trade receivables of $6.4 million (2010: $4.6 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 interest is charged on past due balances quarterly. The average age of these receivables is 314 days (2010: 161 days). The ageing of receivables past due but not impaired is as follows:

	Consolidated	
	2011 $ '000	2010 $ '000
60 – 90 days	859	942
Over 90 days	5,571	3,616
Total past due	**6,430**	**4,558**

(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 is required for impairment of receivables at 30 June 2011.

(d) Fair Value

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

Note 10 Inventories

	Consolidated	
	2011 $ '000	2010 $ '000
Finished goods at cost	8,751	12,190

Refer to Note 17 for details on inventory pledged as security against borrowings.

Note 11 Investments Accounted for Using the Equity Method

		Consolidated	
	Note	2011 $ '000	2010 $ '000
Shares in associates	32	912	900

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 12 Property, Plant And Equipment

Consolidated 2011	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	2,779	1,066	64	93	4,001
Accumulated depreciation	(477)	(526)	(48)	(41)	(1,092)
Carrying amount	**2,302**	**540**	**16**	**52**	**2,910**
Movement					
Carrying amount at 1 July 2010	1,833	602	30	29	2,494
Additions	776	140	4	40	959
Additions from business acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense (Note 6)	(307)	(202)	(18)	(16)	(543)
Carrying amount at 30 June 2011	**2,302**	**540**	**16**	**53**	**2,910**

Consolidated 2010	Fixtures & Fittings $ '000	Plant & Office Equipment $ '000	Information Technology $ '000	Motor Vehicles $ '000	Total $ '000
Cost	2,003	926	60	53	3,042
Accumulated depreciation	(170)	(324)	(30)	(24)	(548)
Carrying amount	**1,833**	**602**	**30**	**29**	**2,494**
Movement					
Carrying amount at 1 July 2009	126	479	35	53	693
Additions	6	144	20	-	170
Additions from business acquisitions	1,752	139	-	-	1,891
Disposals	(2)	(2)	-	(15)	(19)
Depreciation expense (Note 6)	(49)	(158)	(25)	(9)	(241)
Carrying amount at 30 June 2010	**1,833**	**602**	**30**	**29**	**2,494**

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 2011

Note 13 Deferred Tax Assets

		Consolidated	
		2011	2010
	Notes	$ '000	$ '000
The balance comprises temporary differences attributable to:			
- employee provisions		151	174
- legal and other fees		95	246
- property, plant and equipment		120	95
- accrued expenses		45	72
- tax losses		2,238	2,169
- other provisions		683	97
Total non-current temporary differences		**3,332**	**2,853**
Movements			
Opening balance		2,853	2,115
Deferred tax losses recognised on acquisition		-	1,058
Charged to the income statement		479	(320)
Closing balance		**3,332**	**2,853**
Deferred tax assets expected to be recovered within 12 months		1,229	1,023
Deferred tax assets expected to be recovered after more than 12 months		2,103	1,830
Total deferred tax assets		**3,332**	**2,853**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 14 Intangible Assets

	Goodwill	Product Development	Information Technology Development	Total
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2009				
Cost	24,069	1,410	421	25,900
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**24,069**	**1,410**	**421**	**25,900**
Year ended 30 June 2010				
Additions	8,856	799	957	10,612
Amortisation and impairment	-	(59)	(25)	(84)
At 30 June 2010				
Cost	32,925	2,209	1,378	36,512
Accumulated amortisation and impairment	-	(59)	(25)	(84)
Net book amount	**32,925**	**2,150**	**1,353**	**36,428**
At 1 July 2010				
Cost	32,925	2,209	1,378	36,512
Accumulated amortisation and impairment	-	(59)	(25)	(84)
Net book amount	**32,925**	**2,150**	**1,353**	**36,428**
Year ended 30 June 2011				
Additions	1,115	1,692	193	3,000
Amortisation and impairment	-	(244)	(36)	(280)
At 30 June 2011				
Cost	34,040	3,901	1,571	39,512
Accumulated amortisation and impairment	-	(303)	(62)	(365)
Net book amount	**34,040**	**3,598**	**1,509**	**39,147**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

(a) Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segments. Goodwill by segment is summarised below:

	Consolidated	
	2011 $ '000	2010 $ '000
Carrying amount of goodwill:		
- Retail	13,121	12,006
- Wholesale	20,919	20,919
	34,040	**32,925**

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

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 4 to 8% increasing by 1% per year for the first four years (2010: 5%);
- Operating expenses are forecast to grow at 2.5% (2010: 2.3%) and
- A pre-tax discount factor of 12.0% (2010: 11.2%) was applied in the calculations.

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 Other Financial Assets

	Consolidated	
	2011 $ '000	2010 $ '000
Financial assets		
Other	286	14
Total other financial assets	**286**	**14**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 16 Trade and Other Payables

	Consolidated	
	2011 $ '000	2010 $ '000
Unsecured liabilities		
Trade creditors	8,471	19,778
Other creditors and accrued expenses	6,048	6,770
Secured liabilities		
Trade instruments	14,251	7,389
Total current trade and other payables	**28,770**	**33,937**

The Group's exposure to foreign exchange risk is discussed in Note 2. As at 30 June 2011 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).

Note 17 Borrowings

	Consolidated	
	2011 $ '000	2010 $ '000
Current		
Secured liabilities		
Commercial bills	2,700	3,546
Loan facilities	1,392	240
Other	61	29
Total current borrowings	**4,153**	**3,815**
Non-current		
Secured liabilities		
Commercial bills	12,021	10,413
Loan facilities	433	530
Other	96	-
Total non-current borrowings	**12,550**	**10,943**

(a) Commercial Bills and Loan Facilities

The commercial bills are repayable in installments per quarter and expire as follows: $1.5million in August 2011 and $13.2 million in December 2013. The interest rate on facilities of $1.5 million is variable at 4.97% at 30 June 2011 and the interest rate on facilities of $13.2 million is variable at 4.89% at 30 June 2011. The commercial bills are subject to certain financial covenants, none of which have been breached at 30 June 2011. The loan facilities are repayable monthly and expire as follows: $1.0 million in August 2011, $0.1million in July 2013, $0.5million in August 2013 and $0.1million in November 2013. The interest on the loan facilities of $1.8 million is variable.

(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, Healthzone Solutions Pty Limited, Health Minders International Pty Limited, Jasham International Pty Limited, Health Minders (WA) Pty Limited, Discount Vitamin Centres Pty Limited, Health Minders Milperra Pty Limited, Super Boost Effervescent Pty Limited, Newco (Victoria) Pty Limited, Health Minders Finance Pty Limited, Gold Mist Health Pty Limited, Healthy Life Partners Pty Limited, HZL1 Pty Limited, HZL2 Pty Limited, HZL3 Pty Limited, Healthy Life China Pty Limited, HZL5 Pty Limited and Health Minders Pty Limited.

(c) Risk Exposures

The Group's exposure to interest rate risk is discussed in Note 2.

Note 18 Provisions

	Consolidated	
	2011 $ '000	2010 $ '000
Current provision for employee entitlements	367	539
Non-current provision for employee entitlements	137	72
Total	**504**	**611**
Movements		
Carrying amount at start of financial year	611	836
Amounts used during the year	(423)	(380)
Charged to the income statement	316	155
Carrying amount at the end of the year	**504**	**611**

Note 19 Non-Current Liabilities – Deferred Tax Liabilities

	Consolidated	
	2011 $ '000	2010 $ '000
The balance comprises temporary differences attributable to:		
- accrued income	1,726	870
- intangibles: product and software development	1,198	723
- other	2	1
Total	**2,926**	**1,594**
Movements		
Opening balance	1,594	1,322
Charged to the income statement	1,332	272
Closing balance	**2,926**	**1,594**
Deferred tax liabilities to be settled within 12 months	1,115	1,016
Deferred tax liabilities to be settled after more than 12 months	1,811	578
Total	**2,926**	**1,594**

Note 20 Contributed Equity

	Parent Entity	
	2011 Shares	2010 Shares
Share capital		
Fully paid ordinary shares	83,758,871	79,089,299

Movements	Details	Number of Shares	Issue Price	$ '000
Opening balance 1 July 2009		**47,049,950**		**12,566**
8 September 2009	Share issue	2,039,349	29.00 cents	600
18 January 2010	Share issue	7,333,333	30.00 cents	2,200
19 April 2010	Share issue	8,899,994	30.00 cents	2,670
24 May 2010	Share issue	5,102,772	30.00 cents	1,531
25 May 2010	Share issue	8,663,901	30.00 cents	2,599
	Share issue costs			(660)
	Deferred tax credit recognised directly in equity			198
Total movements		**32,039,349**		**9,138**
Opening balance 1 July 2010		**79,089,299**		**21,704**
3 August 2010	Share issue	4,669,572	30.00 cents	1,401
	Share issue costs			(1,028)
	Deferred tax credit recognised directly in equity			309
Total movements		**4,669,572**		**682**
Closing balance 30 June 2011		**83,758,871**		**22,386**

(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.

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's objective when managing capital is to safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an 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 monitors 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 2.8 times for the year ended 30 June 2011 (2010: 1.6 times).

(c) Prepaid Share Reserve

During June 2011 the Group received $3.5m in cash as consideration for shares issued post 30 June 2011. The issue of these shares is not conditional on future events and the Group is required to issue a fixed number of shares in exchange for the cash received.

Note 21 Reserves and Retained Profits

	Consolidated	
	2011	2010
	$ '000	$ '000
(a) Foreign currency translation reserve		
Balance at the beginning of the financial year	(428)	(23)
Net exchange differences on translation of foreign controlled entity	(363)	(397)
Balance at the end of the financial year	**(791)**	**(428)**
(b) Share option reserve		
Balance at the beginning of the financial year	-	-
Increase in equity related to share based payments	34	-
Balance at the end of the financial year	34	-
(c) Prepaid share reserve		
Balance at the beginning of the financial year	-	-
Share prepaid during June 2011 issued post balance sheet date	3,531	-
Balance at the end of the financial year	3,531	-
(d) Retained profits		
Retained profits at the beginning of the financial year	11,507	7,113
Profit for the financial year	2,968	4,394
Retained profits at the end of the financial year	**14,475**	**11,507**

Note 22 Key Management Personnel Disclosures

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

(a) Directors

Peter Roach (Chairman)	Executive & Chief Executive Officer
Michael Ge Wu	Executive
Michael Jenkins*	Executive
Guy Robertson	Non-executive
Ian Spence**	Non-executive
Richard Eu***	Non-executive (Alternate to Ian Spence)

* Resigned 30 November 2010
** Appointed 30 November 2010
*** Appointed 2 March 2011

(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
Matthew Jinks*	General Manager Operations	Healthzone Solutions Pty Limited
Geoff Sainsbury**	General Manager Retail	Healthzone Solutions Pty Limited
Michael Jenkins***	Chief Financial Officer	Healthzone Limited

* Resigned 30 June 2011
** Resigned 25 May 2011
*** Resigned 30 June 2011

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

(c) Key Management Personnel Compensation

	Consolidated	
	2011	2010
	$ '000	$ '000
Short-term employee benefits	583	1,169
Post employment benefits	38	59
Total	**621**	**1,228**

Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

(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 is as follows:

Name	Balance at the start of the year	Granted as compensation	Exercised during the year	Lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
2011						
Directors of Healthzone Limited						
Mr Peter Roach	-	2,500,000	-	-	2,500,000	-
Total directors' option holding	-	2,500,000	-	-	2,500,000	-
Key management personnel of the Group						
Nil	-	-	-	-	-	-

There were no options held by directors and other key management personnel of the group during the financial year ended 30 June 2010.

(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
2011				
Directors of Healthzone Limited				
Ordinary shares				
Mr Peter Roach	1,032,500	75,999	812,173	1,920,672
Mr Guy Robertson	22,000	-	-	22,000
Mr Michael Jenkins*	134,600	-	-	134,600
Mr Michael Ge Wu	9,556,825	305,000	(111,000)	9,750,825
Total directors' share holdings	**10,745,925**	**380,999**	**701,173**	**11,828,097**
Other key management personnel of the Group				
Ordinary shares				
Mr Matthew Jinks**	1,000	21,902	-	22,902
Mr Geoffrey Sainsbury***	1,000	-	-	1,000
Total key management personnel share holdings	**2,000**	**21,902**	**-**	**23,902**

* Resigned as Director 30 November 2010
** Resigned 30 June 2011
*** Resigned 25 May 2011

Name	Balance At The Start Of The Year	Purchased	Other Changes During The Year	Balance At The End Of The Year
2010				
Directors of Healthzone Limited				
Ordinary shares				
Mr Peter Roach	-	1,032,500	-	1,032,500
Mr Guy Robertson	-	-	22,000	22,000
Mr Michael Jenkins	76,600	58,000		134,600
Mr Michael Ge Wu	9,541,825	15,000	-	9,556,825
Mr Terry Cuthbertson	50,000	-	(50,000)	-
Total directors' share holdings	**9,668,425**	**1,105,500**	**(28,000)**	**10,745,925**
Other key management personnel of the Group				
Ordinary shares				
Mr Matthew Jinks	1,000	21,902	-	22,902
Mr Geoffrey Sainsbury	1,000	-	-	1,000
Total key management personnel share holdings	**2,000**	**21,902**	**-**	**23,902**

(d) 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 2011 and 30 June 2010 other than amounts disclosed in Note 27.

(e) Other Transactions with Key Management Personnel

Refer to Note 27, Related Party Transactions, for details on other transactions with key management personnel.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 23 Contingencies

The Group had contingent liabilities at 30 June 2011 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 some franchisees. 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 $1.8 million.

Note 24 Remuneration Of Auditors

	Consolidated	
	2011	2010
	$ '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	279	163
Fees paid to related practice of PKF East Coast Practice:		
- Audit and review of financial reports	-	6
Total remuneration for audit services	**279**	**169**
2. Other Assurance Services		
Fees paid to PKF East Coast Practice:		
- Services provided for business acquisitions and general professional advice	21	79
Total remuneration for other assurance services	**21**	**79**
Total remuneration for assurance services	**300**	**248**
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	152	80
Total remuneration for taxation services	**152**	**80**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 25 Commitments for Expenditure

	Consolidated	
	2011	2010
	$ '000	$ '000
Operating leases - property		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5,019	6,756
Later than one year but not later than 5 years	8,629	8,932
Later than 5 years	-	451
Total operating leases	**13,648**	**16,139**
Operating leases – equipment		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	278	159
Later than one year but not later than 5 years	181	135
Later than 5 years	-	-
Total operating leases	**459**	**294**

Note 26 Events Occurring after Reporting Date

Since balance date, the following events have occurred:

Extraordinary General Meeting

On 11th July 2011, Healthzone Limited shareholders approved the issue and allotment of 40,000,000 shares at $0.38 per share and one warrant attached to every five shares to each acquire one additional share for $0.48 on specified terms and conditions. In addition, the shareholders approved and ratified the issue of 12,563,826 shares with 2,512,765 warrants on the same prices, terms and conditions.

Subsequent Share Issue

The Group has issued 17,967,614 ordinary shares at 38 cents per share subsequent to 30 June 2011.

Forte Brands

On the 5th of July 2011, Healthzone Limited has agreed to purchase 60% of Forte Brands. Forte Brands is the owner of the well established body care and toiletries brands – Trelivings and Evodia. The products are Australian made and are sold in Australia through department stores, pharmacies and gift/lifestyle stores as well as through distributors in many overseas countries. The products are considered to be complementary to the existing product ranges in Healthy Life stores.

The purchase of the 60% interest in Forte Brands was on the following terms and conditions. The purchase price of the 60% share is $1 million, plus a commitment to inject working capital of $1 million over that same period. In addition, inventory (finished goods) is also being purchased at cost. As this is currently in the process of completing, the final acquisition balance sheet has yet to be determined. It is expected that this acquisition will be EPS positive from the first year.

NASDAQ listing

Healthzone has formally lodged the documentation for NASDAQ listing with the SEC in the United States of America. We anticipate that listing will commence in the not too distant future dependent on the timing determined by the US Securities and Exchange Commission.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 27 Related Party Transactions

Transactions and Balances with Directors' Related Parties

	Consolidated 2011 $ '000	2010 $ '000
Sale of Goods		
Sale of goods to companies in which directors held an interest.	175	2,474
Purchase of Services		
- Payment of consultancy fees to Colroa Trust a related party to Mr Peter Roach for brand development and capital raising services provided by Mr Roach	15	135
- Payment of consultancy fees to MGR International Pty Limited a related party to Mr Michael Wu for brand development services provided by Mr Wu	119	51
Other Transactions		
- Payments of warehouse rent and management fees to MGR International Pty Ltd, of which Mr Michael Ge Wu is a Director.	6	-
- Acquisition of shares in Wild Food Natural Health Market Pty Limited, a company in which Mr Peter Roach, a Director of the Company has a significant interest. (Note 32)	-	250
- Interest charged to Wild Food Natural Health Market Pty Limited in respect of oustanding balance.	-	68
- Recharge of expenses to Healthy Life China Pty Limited (1)	108	372
- Interest charged to Healthy Life China Pty Limited in respect of oustanding balances.	297	-
- Loan provided to Mr Peter Roach in relation to acquisition of shares in the Company (2)	1,013	-
- Amounts owed by entities controlled by Mr Peter Roach related to the transitional management of operations of four retail stores on behalf of the Group	496	-
Balances outstanding		
- Loan receivable from Mr Peter Roach in relation to acquisition of shares in the Company (2)	1,013	-
- Receivable from entities controlled by Mr Peter Roach related to the transitional management of operations of four retail stores on behalf of the Group	496	-
- Loan receivable from Wild Food Natural Health Market Pty Limited	120	120
- Receivable from Healthy Life China Pty Limited	2,013	2,933
- Receivable from CenturCorp Retail Pty Limited a company controlled by Mr Roach	508	433

(1) Interest is charged at commercial rates

(2) During the year ended 30 June 2011 the Board of Directors approved and granted a loan of $1 million to Mr Peter Roach for the purpose of increasing his share ownership in the Group. The loan was provided on commercial terms, is secured through the escrow of Healthzone Limited ordinary shares and must be repaid in full by 30 June 2016.

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.

Note 28 Business Combination

During the year ended 30 June 2011 the Group recognised an additional $1,115 thousand in goodwill related to the purchase of Gold Mist Health Pty Limited on 30 June 2011. This adjustment related to the assessment of the fair value of stock recognised on acquisition.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Summary of Acquisitions

2011	Cash Flow (for) / from acquisitions $ '000	Goodwill $ '000
Adjustment of Gold Mist Health Pty Ltd	(602)	1,115
Total	**(602)**	**1,115**

2010	Cash Flow (for) / from acquisitions $ '000	Goodwill $ '000
Healthzone Solutions Pty Limited (formerly Health Minders Pty Ltd)	(61)	-
Jasham International Pty Limited	(2,851)	-
Alexem	(42)	-
Pro-Hair	(1)	-
Gold Mist Health Pty Ltd	238	8,825
Healthy Life Moonee Ponds	(38)	38
Adjustment of Jasham International	-	(7)
Total	**(2,755)**	**8,856**

Note 29 Parent Entity Disclosure

	Consolidated	
	2011	2010
	$ '000	$ '000
Information relating to Healthzone Limited		
Current assets	23,691	20,039
Total assets	**47,034**	**41,365**
Current liabilities	6,059	6,760
Total liabilities	**19,946**	**17,810**
Issued capital	22,386	21,704
Retained earnings	1,137	1,851
Total shareholders' equity	**27,088**	**23,555**
Profit or (loss) of the Parent entity	**(715)**	**710**
Total comprehensive income of the Parent entity	**(715)**	**710**

Healthzone Limited and Healthzone Solutions Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the other. Further details of the deed are disclosed in Note 31.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 30 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities and results of the following subsidiaries in accordance with the accounting policy.

Name of entity	Country Of Incorporation	Class Of Shares	Equity Holding 2011 %	Equity Holding 2010 %
NHB China Limited	China	Ordinary	100	100
Bod International Pty Limited	Australia	Ordinary	100	100
Healthzone Solutions 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	100
HZL2 Pty Limited	Australia	Ordinary	100	100
HZL3 Pty Limited	Australia	Ordinary	100	100
HZL5 Pty Limited	Australia	Ordinary	100	100
Healthminders Pty Limited	Australia	Ordinary	100	100
Gold Mist Health Pty Limited	Australia	Ordinary	100	100

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 31 Deed Of Cross Guarantee

Healthzone Limited and Healthzone Solutions 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 2011 of the Closed Group consisting of Healthzone Limited and its Australian subsidiaries.

Extended Closed Group Income statement	2011 $ '000	2010 $ '000
Revenue from continuing operations	89,692	105,690
Other income	2,921	6,659
Raw materials and consumables used	(58,843)	(84,151)
Employee benefits expense	(12,190)	(9,133)
Depreciation and amortisation expense	(880)	(319)
Professional and consulting expenses	(853)	(410)
Operating lease rental expenses	(4,311)	(2,362)
Selling and marketing expenses	(2,878)	(2,202)
Travel expenses	(320)	(244)
Interest and bank charge expenses	(3,284)	(2,950)
Other expenses	(4,569)	(4,238)
Share of net profits of associates and joint venture partnership accounted for using the equity method	12	-
Profit before income tax	**4,497**	**6,340**
Income tax expense	(897)	(1,199)
Profit for the year	**3,600**	**5,141**
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	11,201	6,060
Profit for the year	3,600	5,141
Retained profits at the end of the financial year	**14,801**	**11,201**

(b) Extended Closed Group Statement of Financial Position

Set out below is a consolidated Statement of Financial Position as at 30 June 2011 of the Closed Group consisting of Healthzone Limited and its Australian subsidiaries.

	2011 $ '000	2010 $ '000
Current assets		
Cash and cash equivalents	516	1,773
Trade and other receivables	25,090	20,738
Inventories	8,371	12,004
Total current assets	**33,977**	**34,515**
Non-current assets		
Receivables	8,242	5,933
Investments accounted for using the equity method	912	900
Other financial assets	5,292	3,447
Property, plant and equipment	2,903	2,482
Deferred tax assets	3,332	2,853
Intangible assets	34,040	32,925
Total non-current assets	**54,721**	**48,540**
Total assets	**88,698**	**83,055**
Current liabilities		
Trade and other payables	13,711	25,646
Borrowings	18,405	11,204
Current tax liabilities	107	407
Provisions	366	538
Total current liabilities	**32,589**	**37,795**
Non-current liabilities		
Trade and other payables	432	-
Borrowings	12,116	10,943
Deferred tax liabilities	2,926	1,594
Provisions	137	72
Total non-current liabilities	**15,611**	**12,609**
Total liabilities	**48,200**	**50,404**
Net assets	**40,498**	**32,651**
Equity		
Contributed equity	22,131	21,450
Reserves	3,566	-
Retained profits	14,801	11,201
Total equity	**40,498**	**32,651**

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 32 Investment In Associates

	Consolidated	
	2011	2010
	$ '000	$ '000
(a) Movements in carrying amount		
Carrying amount at the beginning of the financial year	900	640
Acquired during the year	-	250
Share of profits	12	10
Carrying amount at the end of the financial year	**912**	**900**

(b) Summarised financial information of associates

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

	Ownership %	Assets	Liabilities	Revenues	Profit
		$ '000	$ '000	$ '000	$ '000
2011					
Wild Food Natural Health Market Pty Limited (ACN: 002 596 992)	40%	331	109	81	10
Healthy Life China Pty Limited (ACN: 136 831 582) (i)	1%	33	34	-	(2)
2010					
Wild Food Natural Health Market Pty Limited (ACN: 002 596 992)	40%	322	118	76	10
Healthy Life China Pty Limited (ACN: 136 831 582) (i)	1%	32	30	-	(8)

(i) Healthy Life China Pty Limited (HLC) acquired the Healthy Life master franchise during the 2010 financial year. The nature of the relationship between the Group and HLC is such that Healthzone Limited have significant influence over HLC.

Note 33 Reconciliation of Profit After Income Tax to Net Cash Inflow From Operating Activities

	Consolidated	
	2011	2010
	$ '000	$ '000
Reconciliation of profit after income tax to net cash outflow from operating activities		
Profit for the year	2,968	4,394
Depreciation and amortisation expense	889	325
Net loss on sale of non-current assets	-	6
Interest and finance charges	3,605	2,931
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in trade and other receivables	111	1,208
Decrease/(increase) in inventories	2,187	(2,488)
Decrease/(Increase) in deferred tax assets	(478)	320
Increase/(decrease) in trade and other payables	(11,042)	(2,403)
Increase/(decrease) in current tax liabilities	(346)	239
Increase/(decrease) in provisions	28	(226)
Increase/(decrease) in deferred tax liabilities	1,332	273
Net cash inflow/ (outflow) from operating activities	**(746)**	**4,579**

For the year ended 30 June 2011 operating cash flows included and finance cash flows excluded $5.0 million received in respect of trade facilities.

Notes To The Financial Statements (Continued)

For the Year Ended 30 June 2011

Note 34 Earnings Per Share

	Consolidated	
	2011	2010
(a) Basic earnings per share	3.6 cents	8.0 cents
(b) Diluted earnings per share	3.6 cents	8.0 cents
(c) Earnings used in calculating earning per share		
Profit attributable (thousands) to the ordinary equity holders of the company used in calculating earnings per share	2,968	4,394
(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	83,337	55,100
Adjustments for calculation of diluted earnings per share:		
- Options	-	-
Weighted average number of ordinary shares (thousands) and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	83,337	55,100

As at 30 June 2011 the Group had 17,193,823 warrants on issue with an average exercise price of $0.38. These warrants are not dilutive for the purposes of the diluted EPS calculation.

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.

During the year ended 30 June 2011 the Group granted 2.5m options with a weighted average exercise price of $0.50. All these options were outstanding at the end of the period. These options are settled in equity, are unlisted, transferable and exercisable prior to 30 November 2015.

The fair value of these options was determined by using the Black-Scholes valuation methodology and was estimated at $0.1171 per option. In estimating the fair value of the options the following inputs were used:

- the underlying share pays no dividends during the life of the options;
- the option can only be exercised on the expiration date;
- there are no margin requirements, taxes or transaction costs;
- the risk-free interest rate (4.97%) is constant over time and the market operates continuously;
- the volatility of the share is constant and is defined as the standard deviation of the share's price movement;
- short selling is permitted
- the remaining life of the option is 5.03 years
- the exercise price is $0.50 per option

The Group recognised an expense of $34 thousand (2010: nil) in the income statement as an effect of share based payment transactions for the year ended 30 June 2011.

Directors' Declaration

In the directors' opinion:

(a) the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

(c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;

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

(e) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the *Corporations Act 2001.*

On behalf of the directors

Peter Roach
Executive Chairman

Michael Wu
Executive Director

30 September 2011

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEALTHZONE LTD

Report on the Financial Report

We have audited the accompanying financial report of Healthzone Ltd, which comprises the statements of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Healthzone Ltd ("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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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*.

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

PKF

Chartered Accountants
& Business Advisers

Basis for Qualified Opinion

During the year, the Company reassessed the fair value of inventory included in the net assets of a business acquired on 30 June 2010. This reassessment resulted in additional goodwill of $1,115,000 being recognised during the year ended 30 June 2011. We were unable to obtain sufficient appropriate audit evidence to support the adjusted fair value of inventory due to the lack of appropriate accounting records available for the business acquired.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

(a) the financial report of Healthzone Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Healthzone Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PKF

Grant Saxon
Partner

30 September 2011
Sydney

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 21 September 2011.

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
Eu Yan Sang International Limited	19,168,218	18.8
Citicorp Nominees Pty Limited	14,910,228	14.7
Merrill Lynch (Australia) Nominees Pty Limited	10,845,211	10.7
National Nominees Limited	10,746,671	10.6
Ge Michael Wu	9,750,825	9.6
Guo Guang Tao	8,029,297	7.9
JP Morgan Nominees Australia Limited <Cash Income A/C>	4,688,896	4.6
Buzrio Pty Limited	4,346,235	4.3
HSBC Custody Nominees (Australia) Limited	3,930,807	3.9
Mr Peter Roach	1,920,672	1.9
JP Morgan Nominees Australia Limited	1,624,800	1.6
Dixson Trust Pty Limited	1,352,049	1.3
Quam Securities Co Ltd	1,000,000	1.0
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	888,834	0.9
Mr Barry Honig	859,672	0.8
Gerder Nominees Pty Ltd <Thurin Super Fund A/C>	560,000	0.6
Mr Huanzhong Wang	444,000	0.4
Scintillia Strategic Investments Ltd	300,000	0.3
Universal Invest Quality Growth	300,000	0.3
Dr Eric Thurin & Mrs Gerda Thurin	270,000	0.3
Total	**95,936,415**	**94.3**

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
1-1,000	43	31,031
1,001-5,000	127	394,578
5,001-10,000	79	687,572
10,001-100,000	96	2,913,882
100,001-99,999,999,999	35	97,699,422
Total	**380**	**101,726,485**

ASX Additional Information

c) Substantial Shareholders

Substantial shareholders (owning more than 5% of the share capital) in Healthzone Limited at 21 September 2011 are set out below.

	Number of Ordinary Shares	%
Eu Yan Sang International Limited	19,168,218	18.8
Citicorp Nominees Pty Limited	14,910,228	14.7
Merrill Lynch (Australia) Nominees Pty Limited	10,845,211	10.7
National Nominees Limited	10,746,671	10.6
Ge Michael Wu	9,750,825	9.6
Guo Guang Tao	8,029,297	7.9

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 and the OTCQX exchange in the United States of America ("HLTZY").

f) Buy Back

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

Healthzone Limited

Corporate Directory

30 June 2011

Directors

Peter Roach (Chairman)
Michael Ge Wu
Guy Robertson (Company Secretary)
Ian Spence
Richard Eu (Alternate)

Registered Office

316 Horsley Road, Milperra NSW 2214
Australia

Auditors

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

Lawyers

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

Share Registry

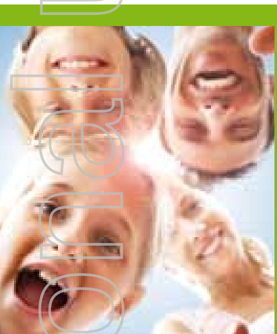
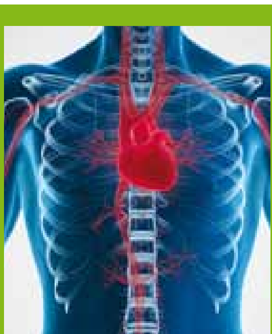
Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney NSW 2000
Australia
Telephone: +61 2 9290 9600

Web-site

www.healthzone.com.au

Contact Information

Telephone: +61 2 9772 7100
Fax: +61 2 9773 0075


www.healthzone.com.au