



20 NEW IMAGE GROUP LIMITED
ANNUAL REPORT
11

TO ENHANCE THE HEALTH AND WELL-BEING
OF PEOPLE THROUGHOUT THE WORLD LEVERAGING THE POWER OF
COLOSTRUM AS THE ESSENCE FOR LIFE

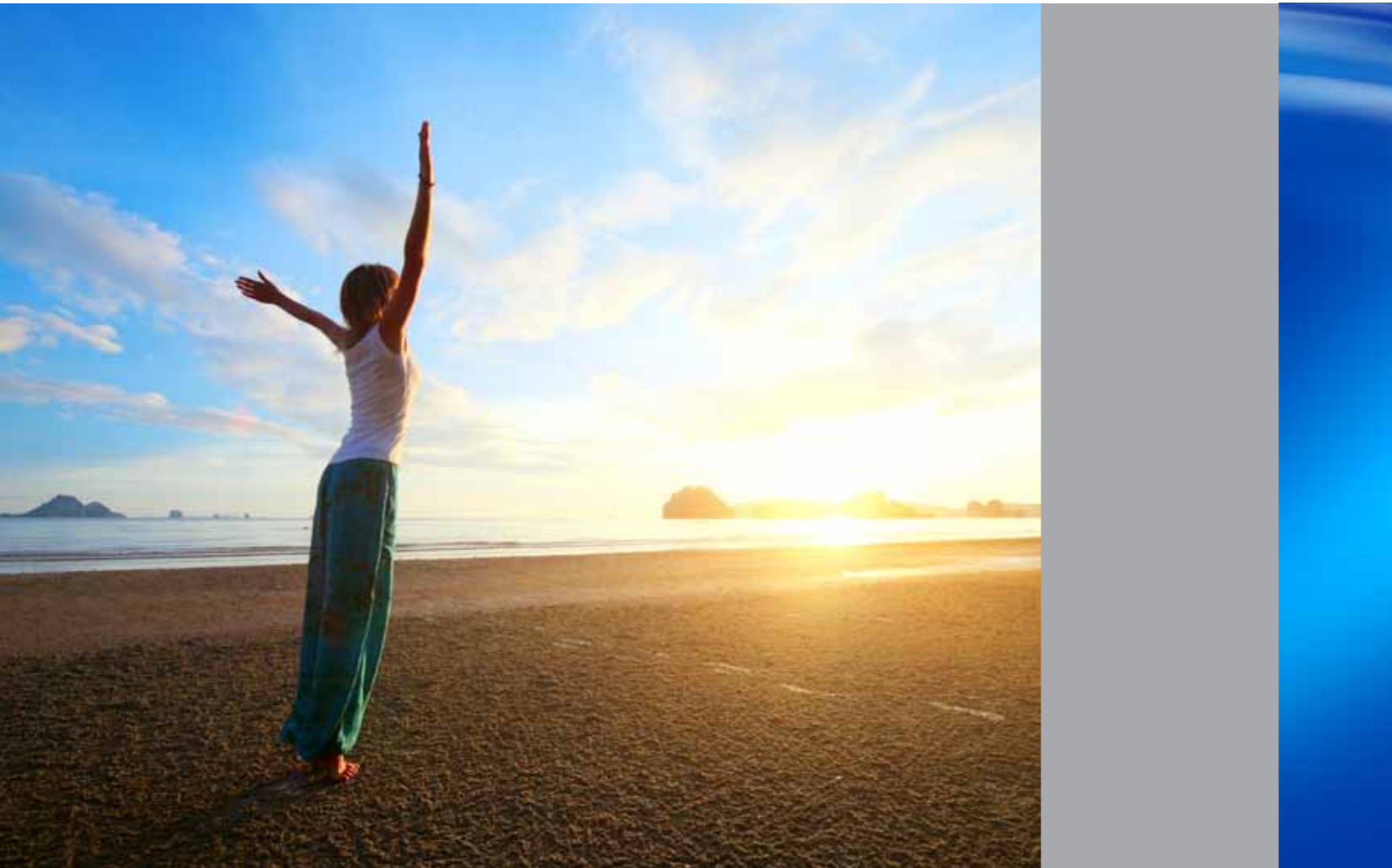


At New Image Group our primary business is based on an innovative and highly-effective business model that takes colostrum and turns it into health giving products that we sell throughout Asia, Australia and New Zealand – both through our own direct selling channel and through selected retail outlets.

Often called “miracle milk,” colostrum is the first milk produced by all mammals after giving birth to their young. It provides the new born with high levels of active antibodies that stimulate the immune system to promote healing, protection, growth and general health. We use cow’s colostrum in our products which contains the same vital components as human colostrum, making it an ideal supplement.

And the benefits are not restricted to the young. Colostrum’s unique mix of antibodies, nutrients and growth factors can boost health and wellness at any stage in life, something farmers, herdsman, athletes, and medical practitioners around the world have long been aware.

We are listed on the New Zealand Stock Exchange www.nzx.com (share code NEW) and you can also find out more about us at www.newimagegroup.co.nz



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CHAIRMAN'S REVIEW 2011

GRAEME CLEGG

New Image is a manufacturer and distributor of health and wellness products throughout the world. Though the year has not been without its challenges, we have continued to develop new country markets in our direct selling division. We have chosen to invest in our infrastructure in both distribution channels and specifically in our retail/wholesale business division. Costs associated with that positioning of the company for the future, together with some impairment charges, impacted on the FY2011 bottom line.

DIRECT SELLING

Taiwan and Malaysia made up approximately 90% of the Direct Sales operations and 74% of the company revenues during the year.

Taiwan reported a 4.6% growth in sales with revenue of \$34.0 million (FY10 \$32.5m).

Malaysian revenue was down 35.8% with revenues of \$22.7 million (FY10 \$35.4m). However, sales appear to have stabilised in Malaysia. New initiatives to invigorate existing distributors and bring in new distributors, including weekly commission payments and the recent launch of Alpha Lipid Sleep Time™, are being implemented. Discounting in retail has continued which significantly impacted on revenue. A solution using new 2D bar coding technology, together with existing tamper proof packaging will allow product found in retail to be traced back to the offending distributor so action can be taken. Another benefit is that internationally New Image products will be able to be tracked throughout the entire supply chain from raw material to in country market sale.

RETAIL/WHOLESALE

New Image restructured its retail/wholesale division last year and together with further investment this year that has helped deliver increased revenues of \$13.1 million (FY10 \$7.0m), up 87.1% on prior year. Forward orders of fortified infant formula are encouraging and we see this business division providing significant revenues and margin in the future for the Group.



FINANCIAL REVIEW

NPAT of \$2.3 million was down on prior year after incurring costs in developing new country markets and products in both of the group's business divisions.

With the decline in sales in Malaysia there was a consequent decrease in profit of \$3.4 million.

As required by International Financial Reporting Standards, an impairment of \$797,000 has been attributed to the group's Natural Health subsidiary for plant and equipment to manufacture COL+ and the intangibles associated with COL+, it's ready to drink colostrum beverage.

However, New Image remains committed to this business and is continuing to develop distribution channels in Asia.

While revenues increased in the retail/wholesale division, they do not deliver the same margins achieved through the direct sales division. Investment in the downstream supply chain, a new can manufacturing unit and a spray dry plant, are expected to improve margins in this division as these manufacturing sites become fully operational.

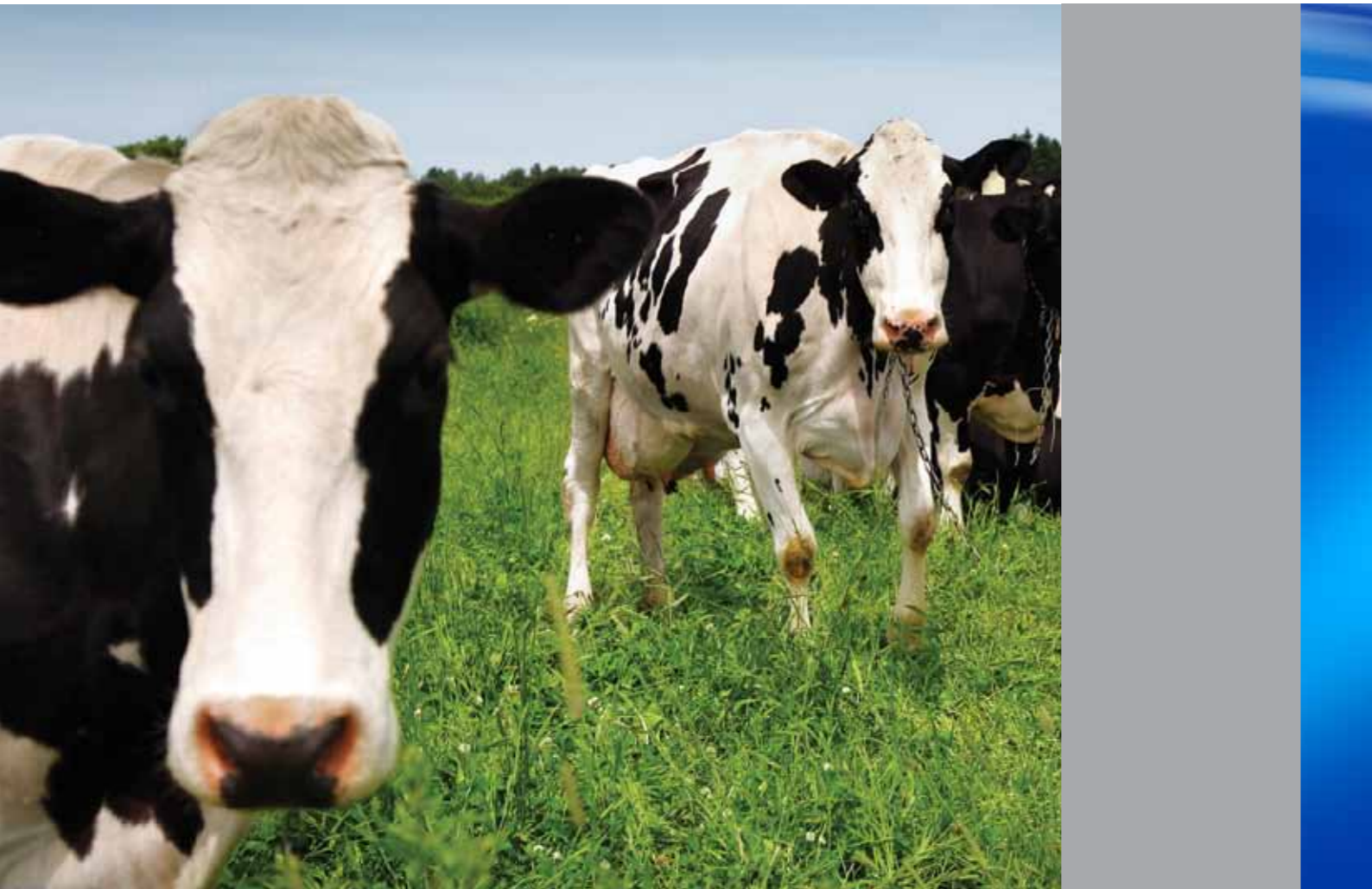
The company also shared in a loss made by its associate Living Nature, which contributed to \$753,000 against profits. The company is taking action to stem these losses with increased direct involvement in this business.

Encouragingly, the group's FY11 second half revenues were up 3.7% on HY11.

STRATEGIC INITIATIVES

ACQUISITIONS

During the year the company acquired a 50.001% interest in New Zealand natural skin care company Living Nature. Work has already been completed on the development of a second generation of Bio Re-juv™ skin care products for the company's direct selling division and these will be launched in Taiwan and Malaysia in the first half of FY12. The company will be taking operating control of Living Nature in the new financial year and its results will be fully consolidated in FY12 (they are equity accounted in FY11). Cost reduction programmes together with the strengthening of its sales base are initiatives the company believes will bring Living Nature into profit.



The company also acquired the intellectual property and patents for the sleep enhancing milk peptide from Somnaceutics in December 2010. Using this technology, during the second half of the financial year New Image successfully launched Alpha Lipid Sleep Time™ in Malaysia. It is looking to re-launch under this new brand in Taiwan and other countries within the group. Work is also progressing on selling this product through the retail/wholesale division, with interest from significant customers in Japan, China and Korea.

NEW PRODUCT DEVELOPMENT

New Image's team of scientists continues to carry out research to deliver further scientifically-based and clinically proven results on the beneficial effects of colostrum and other natural extracts on adult stem cells. Clinical trials have been completed and the company has just released its second generation adult stem cell product - Alpha Lipid Colostem™. Expenditure in this area equated to approximately \$435,000, including research and development costs, trials, consultants and in house costs.

MANUFACTURING FACILITIES

We have four Auckland based production and distribution facilities. At Avondale, we have a dairy registered powder blending plant. We carried out a \$1.5 million upgrade of this facility throughout the year.

At Penrose, we have a manufacturing plant for the COL+ ready to drink colostrum beverage. In addition at this site we have tablet and encapsulating facilities. A new can manufacturing line is due to be installed and commissioned in the second quarter of FY12 at this site. This will allow New Image to produce and manufacture cans for both of its business divisions as well as for third party customers.

Building work has commenced on the new state-of-the-art, multimillion dollar infant formula spray dry plant at Paerata, south of Auckland. This new plant will be capable of producing not only wet blended infant formula, but also other key ingredients such as high grade colostrum used in the majority of New Image's products. We are expecting the new plant to be commissioned & tested in the second quarter of FY12.

Through our acquisition of Living Nature, we now have a fifth New Zealand based production facility in Kerikeri, which produces a range of skin care products. Here at Head Office in Mangere Bridge we have our warehousing facility.

OUTLOOK

While second half FY11 revenues were up on the first, the company is expecting a lift in revenues in its direct sales business, through new country market opportunities, launch of new products, organic growth in Taiwan and new initiatives in Malaysia. It is also expecting its retail/wholesale division to continue to grow and is expecting a lift in profitability in FY12 through improved margins.

Prospects for the Group are bright. While revenue and profit in FY11 was down on prior years, we are anticipating a good increase in market activity in both business divisions.

Graeme Clegg
Founding Chairman
19 September 2011

WHAT IS DIRECT SELLING?

OVERVIEW



Direct selling is a distribution method for marketing consumer products directly to a customer, away from a fixed retail location. Direct selling allows a connection with customers, one-on-one, in groups and through online sales. Customers benefit from direct selling because of the convenience and service it provides them, including the personal demonstrations and explanation of products by their distributor.

New Image's direct selling distributors are known as members. They are rewarded for their efforts with a commission based on their sales volume. New Image, like most direct selling companies, uses a multi-level marketing ("MLM") compensation plan, whereby our members are paid commissions not only for their own sales but also a percentage of the sales by other members they introduce to New Image.

New Image customers purchase from our members because of the health and well-being benefits and the convenience of access to our product offerings. A large percentage of our customers become members because of the factors above, the business opportunity we offer them and the opportunity to buy our products at wholesale prices. The traditional retail distribution method requires a considerable proportion of the retail price to be allocated to cover all selling costs, including promotion, marketing and advertising expenses, the costs associated with maintaining a retail presence and associated labour costs, as well as wholeselling and distribution costs. This cost infrastructure is not applicable in the direct selling industry. In New Image's case, we manufacture our products and our members act as the wholesaler with low overheads. There are no middle men. The substantial savings in our cost of sales are then available to be paid out to our members as commissions, not only for their efforts but to encourage them to introduce and train new members, thereby creating growth for the company.

The key advantages for direct selling companies over traditional distribution channel operators are:

- Low overheads as distributor commissions are performance-based
- The low cost to market for new products through the person-to-person distribution channel
- The direct selling distribution method has no boundaries and, subject only to local regulatory approvals, can readily spread into other countries, expanding the earning opportunity of distributors as commissions are paid on all sales generated from their group, regardless of country of origin.

Acceptance of direct selling products is generally very high so that customers buy them regularly, usually monthly. Direct selling companies invest considerable resources into competence training for their network leaders to ensure they have a sound understanding of their organisation's product range. Distributors are paid commissions for what they personally sell and for what is sold by all distributors whom they have personally sponsored or whom are part of their personal group. As with all legitimate direct selling companies, New Image's commissions are only paid on product sales and not for recruiting new members.

Typically, direct selling companies focus on marketing products that meet essential consumer needs as the basis for their product lines, encouraging repeat business. As most distributors have personal relationships with their customers, these customers will also develop an on-going trust in the direct seller's products.

New Image has been an active participant in the direct selling industry for many years, joining the Direct Selling Association of New Zealand ("DSANZ") in 1990. Our Founding Chairman Graeme Clegg has been on the Board of the DSANZ for the past 5 years.

The direct selling industry is unique in that it has a small group of employees but a large group of independent distributors. In New Zealand and elsewhere, the general public sees little of the industry through the media, as direct selling does not market itself using traditional media. As most direct sales activity takes place at home, socially and often at night, there are no fixed retail outlets where customers and the public can find out about the products and learn more about the industry.

The industry prides itself on high standards of self regulation and professionalism around the world. In the USA, direct selling is taught as a subject at Harvard University's Business School and a number of substantial direct selling companies are publicly listed in the USA.

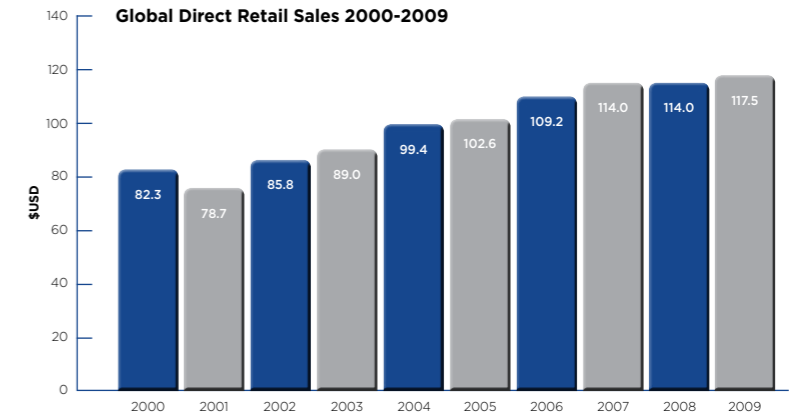
Codes of conduct designed to establish a fair partnership between customers and their distributors are in place in the countries where there is an established direct selling industry. Most national direct selling associations belong to the World Federation of Direct Selling Associations ("WFDSA") which has 59 regional member associations, including New Zealand and who account for US\$117 billion in retail sales for calendar year 2009, through the activities of more than 62 million independent distributors.



Top Sellers 2010

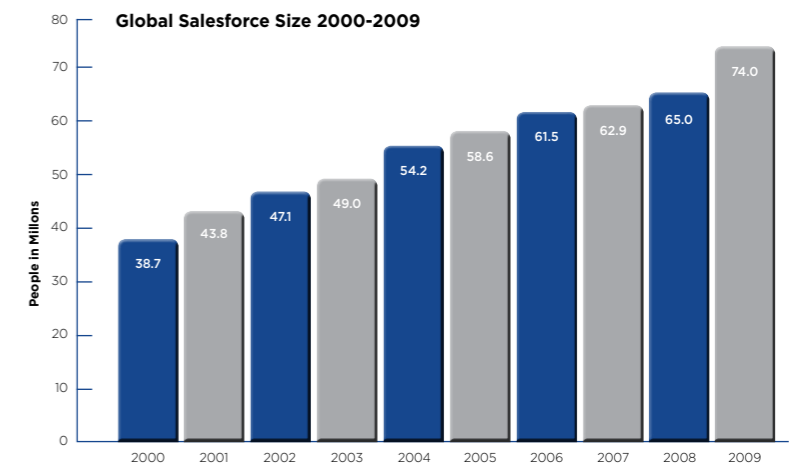
Avon Products Inc	\$10.9 billion
Amway Corporation	\$9.2 billion
Natura Comsmeticos SA	\$3.0 billion
Vorwerk & Co. KG	\$2.9 billion
Herbalife Limited	\$2.7 billion

According to the US publication, Direct Selling News, the five largest direct selling companies in 2009 by revenue in US\$ were as follows:



The direct selling distribution channel has proven to be a successful one for health and wellness products. The direct selling channel is particularly suited to the marketing of such products, as the customers gain confidence in the products because they deliver to expectations and from the personal service from their distributor. This contact provides the customer with educational material about nutrition and health and wellness, as well as motivating the customer to begin and maintain their own individual health and wellness programme. Also, since many distributors will be product users themselves, they provide a uniquely powerful sales tool with their personal testimonials of the products' effectiveness.

New Image has differentiated its direct sales efforts by establishing a niche position, marketing and distributing a unique range of health and wellness products containing colostrum.



BOARD OF DIRECTORS



GRAEME LINDSAY CLEGG
FOUNDING CHAIRMAN
CURRENT EXECUTIVE TEAM MEMBER

Graeme Clegg is the founder of the New Image group of companies. Since its inception over 25 years ago Graeme has been a pioneer in the development of colostrum products and his knowledge of the nutrition industry has seen him become a regular speaker at international industry conferences.



NH CHUA BA
EXECUTIVE DIRECTOR,
CURRENT EXECUTIVE TEAM MEMBER

NH Chua has a BA in economics and commerce from the University of Toronto. He has over 33 years experience in the direct selling industry and is highly regarded for his ability to develop leadership and establish successful infrastructures in countries. NH Chua fluently speaks all the essential languages in the region and is fundamental for the development of existing countries plus implementing expansion plans.



MAXWELL FREDERICK PARKIN BSc, FNZIFST
INDEPENDENT

Max Parkin retired in 2007 after 36 years with Fonterra Co-operative Group Limited and its predecessor companies. His last role was Director International Manufacture, which made him responsible for Fonterra's manufacturing relationships with major overseas joint ventures. Prior to that he had held the role of Director Operations and a number of other senior management positions. In the 1980s, Max was one of the first to identify the potential of colostrum as an innovative value-added product for the dairy industry and he has taken an active interest in its development ever since.



NIGEL RICHARD SINCLAIR
INDEPENDENT

Nigel Sinclair is one of Australasia's leading direct sellers. While he is currently Vice-Chairman of the Direct Selling Association of Australia, he has previously been Chairman for two terms and has been inducted in the Association's Hall of Fame. He also has considerable experience in the fast moving consumer goods (FMCG) area.



ALAN GRANT STEWART CA
DEPUTY CHAIRMAN

Alan Stewart has been on the board of New Image since its inception and last year became deputy chairman. A Chartered Accountant in public practice since 1966, Mr Stewart has also served as a director of a number of private companies. He was Managing Director of Hansells NZ Limited from 1987 until he sold his interest in 1998. Alan is an Accredited Member of the Institute of Directors.

EXECUTIVE TEAM



SIMON BEUTH BCom
CHIEF FINANCIAL OFFICER

With a strong finance background in FMCG and funds management in New Zealand and London, Simon Beuth is no stranger to working in a demanding business environment. Simon was previously Financial Controller for Nice & Natural which is now a part of Griffins Foods who manufacture and import snacks to New Zealand and Australian markets.



PETER LEHRKE BSc(Hons), Dip.Nut.Sci.
GENERAL MANAGER - RESEARCH & DEVELOPMENT

Peter has over 30 years experience in human and veterinary pharmaceuticals, nutritional and dietary supplements. Peter brings a wealth of knowledge and expertise in all areas of product development and manufacturing having worked at GlaxoPharmaceuticals, the largest pharmaceutical company in the world.



GUY WILLS BBS
GENERAL MANAGER - HEALTH SCIENCES

Guy Wills has diverse sales and marketing, senior management, and leadership experience in business and corporate/multinational environments. He has over a decade of experience in fast moving consumer goods and functional/health foods, coupled with significant entrepreneurship and start-up experience in high technology businesses including bio-technology and dairy bio-actives.



BRENT WOLLASTON BTech(Hons), MPhil
GENERAL MANAGER - MANUFACTURING & SUPPLY CHAIN

Brent Wollaston was most recently Director of Manufacturing and Supply Chain for Griffins Foods in NZ. Brent has worked in the UK and South Africa during his career and consulted on his own accord in the refining, cement and dairy sectors on manufacturing and supply chain projects. He won an AGMARDT masterate scholarship for research in the agricultural industry sector and graduated with a MPhil in Management Science and Information Systems in 1994.



SIMON YARROW BCom, MSc
GENERAL MANAGER - GLOBAL SALES AND MARKETING

Before joining New Image Group Simon was CEO of EnCoate Holdings Limited, a venture capital technology start-up in probiotics. Prior to this he has held senior business management roles in the dairy industry including LIC and Fonterra and has extensive experience in Asia including FMCG while based in Singapore for the NZ Dairy Board.

PRODUCT HIGHLIGHTS



ALPHA LIPID™ COLOSTEM™

Your body is made up of about 100 trillion cells that are continually dying and being replaced. As you get older your ability to replace cells can be impaired by the natural ageing process, your diet, lifestyle and environment. How you age should not be left to chance. The ultimate goal is to have optimal health throughout your life, being able to retain your youthful energy and vitality at any age.

The Alpha Lipid ColoStem System is a unique patent pending blend of synergistic nutrients that have been clinically proven to boost the body's natural stem cell activity. The very latest cutting edge science has shown that stem cells are the body's natural self-diagnostic and self-healing 'super cells'.



ALPHA LIPID™ SLEEP TIME™

Lack of good quality sleep is a significant and growing worldwide problem that has been linked to many negative health conditions and affects quality of life including your mental sharpness, productivity, emotional balance, creativity, physical vitality, and even your weight. As an alternative to prescription sleep medications there are a growing number of people seeking out natural products that may help improve their sleep. Inspired by the natural calming and sleep enhancing properties of milk, Alpha Lipid Sleep Time™, was developed to provide a delicious and soothing night time drink. Alpha Lipid Sleep Time™ is made from the milk of specially selected cows, containing particular bioactive proteins and manufactured through a proprietary patent protected process developed to enhance the functionality of these proteins. Alpha Lipid Sleep Time™ is packaged in individual single-serve sachets as a premixed powder with a delicious flavour and addition of vitamins, minerals and milk lipids such as Vitamin D3, Magnesium and Alpha Lipid™. This provides a premium formulation designed for complimentary and synergistic contribution to optimal absorption and utilisation of nutrients and active ingredients.

Alpha Lipid Sleep Time™ is low in fat and lactose and free from gluten, preservatives, artificial colours, flavours and sweeteners. Simply mixed with water and served cool or warm, it is ideal as a delicious, nutritious bedtime drink.



IMMUNOMILK™ INFANT POWDER

Milk from a mother is recognised as the best food for a baby, however there are mothers who for a number of reasons are unable to produce enough milk to feed their infants.

New Zealand has perfected the technology for the manufacture of high specification infant formulas containing the internationally accepted levels of the required vitamins, minerals and lipids.

ImmunoMilk™ is a range of infant, toddler and growing up fortified milk powders suitable for all ages, from birth to early childhood.



BIO-REJUV™ RANGE

Suitable for all skin types and comprising bioactive ingredients from nature. All Bio-Rejuv™ products have been designed to promote normal balanced skin.

Carefully selected nutrients, nut and vegetable oils have been combined with the highest grade colostrum available, to provide organic compounds in their natural state which studies have shown significantly assist the rebuilding of healthy skin.

Combined with the moisturising effect of phospholipids (ceramides) and natural antibacterials (lactoferrin), these precious gifts of nature synergistically combine to bring harmony and balance to the skin.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

The directors are pleased to present the annual report, including the consolidated financial statements for New Image Group Limited for the year ended 30 June 2011.

For and on behalf
of the Board of
Directors



Graeme Clegg
Founding Chairman
19 September 2011



Alan Stewart
Deputy Chairman
19 September 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Continuing Operations					
Revenue	2	75,777	81,291	-	-
Cost of Sales		(20,593)	(17,842)	-	-
Gross Profit		55,184	63,449	-	-
Other Operating Income	3	44	523	-	8,227
Sales & Distribution Expenses	4	(31,621)	(37,229)	-	-
Administration Expenses	5	(13,841)	(12,745)	-	-
Other Expenses	6	(3,755)	(2,798)	-	-
Share of Loss of Associate	7	(753)	-	-	-
Operating Profit		5,258	11,200	-	8,227
Financial Income	8	152	189	-	-
Financial Costs	8	(716)	(272)	-	-
Net Financing Costs		(564)	(83)	-	-
Operating Profit before Taxation		4,694	11,117	-	8,227
Taxation	9	(2,355)	(3,767)	-	-
Net Profit from Continuing Operations		2,339	7,350	-	8,227
Other Comprehensive Income					
Foreign Currency Translation Gain/(Loss)		(1,199)	(169)	-	-
Share of Foreign Currency Translation Gain/(Loss) of Associate	7	2	-	-	-
Total Other Comprehensive Income		(1,197)	(169)	-	-
Total Comprehensive Income for the Period		1,142	7,181	-	8,227
Total Operating Profit for period attributable to:					
Non-Controlling Interest		(94)	(179)	-	-
Owners of the Parent		2,433	7,529	-	8,227
		2,339	7,350	-	8,227
Total Comprehensive Income for period attributable to:					
Non-Controlling Interest		(78)	(172)	-	-
Owners of the Parent		1,220	7,353	-	8,227
		1,142	7,181	-	8,227
Earnings per Share for Profit from Continuing Operations attributable to the Ordinary Equity Holders of the Parent:					
Basic earnings per share (cents per share)	13	1.04	3.22		
Diluted earnings per share (cents per share)	13	1.01	3.14		

The above statement should be read in conjunction with the notes to and forming part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group						Total
		Ordinary Shares	Share Based Payments	Foreign Currency Translation Reserve	Retained Earnings	Owners of the Parent	Non-Controlling Interest	
Year To 30 June 2011								
At 1 July 2010		11,874	154	(684)	13,977	25,321	(100)	25,221
Profit for the period		-	-	-	2,433	2,433	(94)	2,339
Other Comprehensive Income for the period	11	-	-	(1,213)	-	(1,213)	16	(1,197)
Total Comprehensive Income for the period		-	-	(1,213)	2,433	1,220	(78)	1,142
Transactions with owners in their capacity as owners:								
Shares Issued	12	63	-	-	-	63	-	63
Share-based payment	11	-	162	-	-	162	-	162
Dividends paid	10	-	-	-	(3,633)	(3,633)	-	(3,633)
At 30 June 2011		11,937	316	(1,897)	12,777	23,133	(178)	22,955
Year To 1 July 2010								
At 1 July 2009		10,955	115	(508)	11,289	21,851	72	21,923
Profit for the period		-	-	-	7,529	7,529	(179)	7,350
Other Comprehensive Income for the period	11	-	-	(176)	-	(176)	7	(169)
Total Comprehensive Income for the period		-	-	(176)	7,529	7,353	(172)	7,181
Transactions with owners in their capacity as owners:								
Shares Issued	12	919	-	-	-	919	-	919
Share-based payment	11	-	39	-	-	39	-	39
Dividends paid	10	-	-	-	(4,841)	(4,841)	-	(4,841)
At 30 June 2010		11,874	154	(684)	13,977	25,321	(100)	25,221

The above statement should be read in conjunction with the notes to and forming part of the financial statements

STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Year To 1 July 2011	Note	Company						Total
		Ordinary Shares	Share Based Payments	Foreign Currency Translation Reserve	Retained Earnings	Owners of the Parent	Non-Controlling Interest	
At 1 July 2010		34,864	154	-	(24,359)	10,659	-	10,659
Profit for the period		-	-	-	-	-	-	-
Other Comprehensive Income for the period	11	-	-	-	-	-	-	-
Total Comprehensive Income for the period		-	-	-	-	-	-	-
Transactions with owners in their capacity as owners:								
Shares Issued	12	63	-	-	-	63	-	63
Share-based payment	11	-	162	-	-	162	-	162
Dividends paid	10	-	-	-	(3,633)	(3,633)	-	(3,633)
At 30 June 2011		34,927	316	-	(27,992)	7,251	-	7,251

Year To 30 June 2010	Note	Company						Total
		Ordinary Shares	Share Based Payments	Foreign Currency Translation Reserve	Retained Earnings	Owners of the Parent	Non-Controlling Interest	
At 1 July 2009		33,945	115	-	(27,745)	6,315	-	6,315
Profit for the period		-	-	-	8,227	8,227	-	8,227
Other Comprehensive Income for the period	11	-	-	-	-	-	-	-
Total Comprehensive Income for the period		-	-	-	8,227	8,227	-	8,227
Transactions with owners in their capacity as owners:								
Shares Issued	12	919	-	-	-	919	-	919
Share-based payment	11	-	39	-	-	39	-	39
Dividends paid	10	-	-	-	(4,841)	(4,841)	-	(4,841)
At 30 June 2010		34,864	154	-	(24,359)	10,659	-	10,659

The above statement should be read in conjunction with the notes to and forming part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash and Cash Equivalents	19	13,030	18,880	-	-
Trade and Other Receivables	18	3,905	3,386	-	-
Inventories	17	8,719	5,938	-	-
Taxation Receivable		819	-	-	-
Total Current Assets		26,473	28,204	-	-
Non-current Assets					
Property, Plant and Equipment	15	8,380	4,849	-	-
Intangible Assets and Goodwill	16	5,565	2,558	-	-
Intercompany Loans	20	-	-	-	1,970
Investment in Associate	7 & 20	2,469	-	3,220	-
Investment in Subsidiaries	20	-	-	8,689	8,689
Deferred Tax	9	547	298	-	-
Total Non-current Assets		16,961	7,705	11,909	10,659
Total Assets		43,434	35,909	11,909	10,659
Current Liabilities					
Trade and Other Payables	21	10,090	7,113	-	-
Intercompany Loans	20	-	-	4,658	-
Interest Bearing Loans and Borrowings	14	9,200	2,715	-	-
Taxation Payable		-	460	-	-
Total Current Liabilities		19,290	10,288	4,658	-
Non-current Liabilities					
Acquisition Contingent Consideration	7	1,099	-	-	-
Interest Bearing Loans and Borrowings	14	90	400	-	-
Total Non-current Liabilities		1,189	400	-	-
Total Liabilities		20,479	10,688	4,658	-
Net Assets		22,955	25,221	7,251	10,659
Equity					
Contributed Equity	12	11,937	11,874	34,927	34,864
Share Based Payments	11	316	154	316	154
Foreign Currency Translation Reserve	11	(1,897)	(684)	-	-
Retained Earnings / (Deficit)		12,777	13,977	(27,992)	(24,359)
Parent Interests		23,133	25,321	7,251	10,659
Non-controlling Interests		(178)	(100)	-	-
Total Equity		22,955	25,221	7,251	10,659

For and on behalf of the Board of Directors who approved the issue of these Financial Statements on 19 September 2011



Graeme Clegg, Founding Chairman, 19 September 2011



Alan Stewart, Deputy Chairman, 19 September 2011

The above statement should be read in conjunction with the notes to and forming part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities					
Cash was provided by / (applied to):					
Receipts from Customers		76,738	80,658	-	-
Payments to Suppliers and Employees		(68,611)	(73,339)	-	-
Interest Received		152	189	-	-
Interest Paid		(629)	(272)	-	-
Income Tax Paid		(3,883)	(5,911)	-	-
Net Cash Flows from/(used in) Operating Activities	29	3,767	1,325	-	-
Cash Flows from Investing Activities					
Cash was provided by / (applied to):					
Purchase of Property, Plant and Equipment		(5,533)	(1,926)	-	-
Purchase of Intangible Assets		(2,282)	(146)	-	-
Proceeds from Disposals of Property, Plant and Equipment		13	-	-	-
Purchase of Associate		(3,220)	-	-	-
Net Cash Flows from/(used in) Investing Activities		(11,022)	(2,072)	-	-
Cash Flows from Financing Activities					
Cash was provided by / (applied to):					
Issue of Share Capital		13	-	-	-
Cash Dividends Paid		(3,583)	(3,922)	-	-
Proceeds from Loans and Borrowings		6,175	1,537	-	-
Repayment of Loans and Borrowings		-	(293)	-	-
Net Cash Flows from/(used in) Financing Activities		2,605	(2,678)	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		(4,650)	(3,425)	-	-
Cash and Cash Equivalents at beginning of Period		18,880	22,107	-	-
Net Foreign Exchange Differences		(1,200)	198	-	-
Cash and Cash Equivalents at end of Period	19	13,030	18,880	-	-

The above statement should be read in conjunction with the notes to and forming part of the financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

New Image Group Limited ("the Company") is a company domiciled and incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements and its consolidated financial statements (hereafter collectively referred to as "the financial statements") have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The consolidated financial statements that are presented are those of the Company and its subsidiaries and joint ventures (together referred to as "the Group").

B) STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

C) FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial statements are presented in New Zealand Dollars (NZD) which is the functional currency of the parent. All financial information presented in NZD has been rounded to the nearest thousand dollars (\$'000) unless stated otherwise.

D) BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis, except as specifically set out below.

E) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has discussed with the Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Management considers that the triggers for impairment testing with respect to the Col+ manufacturing plant and product trademarks have been significant enough such that

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

these assets have been tested for impairment in this financial period. Management does not consider that the triggers for impairment testing exist for any other assets.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets are recognised in the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depends on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also

required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Contingent liabilities

Management has made judgements concerning the probability of the outcomes when assessing whether to recognise a provision or a contingent liability. These judgements are subject to risk and uncertainty, hence there is a possibility that a change in circumstances will alter expectations, which may impact the amount of provisions recognised on the Statement of Financial Position and the amount of contingent liabilities not yet recognised.

Share Based Payments

The Group has made a judgement regarding the life of the equity settled options based on the expected time to reach the level of manufacture needed to trigger the vesting of the options. These judgements have been made based on budgeted demand and supply of the products involved, and these may alter depending on market conditions.

Key sources of estimation and uncertainty

Note 16 contains information about the assumptions and their risk factors relating to goodwill impairment. In Note 22 detailed analysis is given of the foreign exchange exposure of the Group and risks in relation to foreign exchange movements.

F) BASIS OF CONSOLIDATION

The consolidated financial statements prepared are issued in the name of the legal parent, but represent a continuation of the financial statements of the legal subsidiary following a reverse acquisition in 2004.

In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes).

As these consolidated financial statements represent a continuation of the financial statements of the legal subsidiary:

- The assets and liabilities of the legal subsidiary are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts.
- The retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary immediately before the business combination.
- The amount recognised as issued equity instruments is determined by adding the issued equity of the legal subsidiary immediately before the business combination, to the cost of the combination.

Non-Controlling Interests not held by the Group are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

All acquisitions of subsidiaries subsequent to the reverse acquisition mentioned above are

accounted for using the acquisition method.

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Group. Control exists when the Group has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Intra-group transactions

Intra-group balances, transactions and profits resulting from intra-group transactions are eliminated in preparing the Group financial statements.

Acquisitions

The results of entities acquired during the year are included in the consolidated financial statements from the date that control commenced. Generally assets and liabilities are recognised at their fair value at the date of acquisition.

G) FOREIGN CURRENCY TRANSLATION

Transactions

Foreign currency transactions are translated to the New Zealand dollar at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation of foreign group entities

The assets and liabilities of Group entities incorporated overseas are translated at the rates of exchange ruling at reporting date. The revenues and expenses of these

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

entities are translated at rates approximating the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in the foreign currency translation reserve, a component of Other Comprehensive Income.

H) PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are stated at historical cost less accumulated depreciation (see below) and any accumulated impairment losses (see accounting policy (M)).

Disposal of property, plant and equipment

Where property, plant and equipment are disposed of, the profit or loss recognised in the Statement of Comprehensive Income is calculated as the difference between the sale price and the carrying value of the asset.

Subsequent costs

The Group recognises in the carrying amount of the asset the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Depreciation

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its estimated useful life.

The following useful lives have been applied:

Leasehold Improvements: Over the term of the lease (5 to 10 years)
Office Furniture: 5 years
Plant and Equipment: 3 to 10 years
Computer Equipment: 2 to 5 years
Motor Vehicles: 4 to 10 years

The asset's residual lives, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Capitalised work in progress

The expenditure capitalised to work in progress includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalised.

I) INTANGIBLE ASSETS

Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how

the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (M)).

Negative goodwill arising on an acquisition is recognised directly in

the Statement of Comprehensive Income.

Patents & Trademarks

Patents and trademarks are finite life intangible assets and are recorded at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the Statement of Comprehensive Income as an expense as incurred.

Computer Software

Computer software are finite life intangible assets and are recorded at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Patents and trademarks are amortised from the date they are available for use. The estimated useful lives for patents and trademarks are 3 years.

J) FINANCIAL RISK MANAGEMENT

Overview

The Group's principal financial instruments comprise receivables, cash at bank and overdrafts, payables, loans and other borrowings.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit & Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the

Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Group.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual

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characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country in which customers operate has less of an influence on the credit risk.

The Group has established a credit policy under which a new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their characteristics, including whether they are an individual or legal entity, whether they are wholesale, retail or end user customer, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers.

Receivable balances are monitored on an ageing basis. Individual debts that are known not to be collectable are written off when identified. An impairment provision is recognised

when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties, default payments and debts more than 90 days old are considered indicators of impairment.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for financial assets.

Of the balances within trade and other receivables that are not overdue and not impaired it is expected that these other balances will be received when due.

Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and other borrowings.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation. The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Pricing for some of the Group's raw material purchases is subject to

fluctuations in commodity indices for base milk powder and other ingredients. This is routinely managed through agreements with suppliers and does not necessitate entering into commodity derivatives to manage the exposure to such fluctuations.

The Group constantly analyses its interest rate exposures. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable rates.

As a result of significant operations conducted through offshore entities, the Group's Statement of Financial Position can be affected significantly by movements in the New Zealand Dollar exchange rate against the functional currencies of these offshore entities.

Approximately 83% of the Group's sales are denominated in currencies other than the presentational currency (New Zealand Dollar) of the Group.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group does not enter into forward currency contracts or other hedge derivatives.

Capital Management

When managing capital, management's objective is to ensure

the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the demographic spread of shareholders, the gearing ratio (net debt/total capital) as well as the return on capital, which the Group defines as the level of dividends to ordinary shareholders, over total shareholders' equity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

FINANCIAL INSTRUMENTS

Financial instruments are recognised in the Statement of Financial Position initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to

the contractual provisions of the financial instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Standard purchases and sales of financial assets are accounted for at trade date that is the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents (including bank overdrafts), trade and other payables, loans and borrowings.

Trade and other receivables

Trade and other receivables which generally have 30-60 day terms, are measured at amortised cost, using the effective interest method, less an allowance for impairment losses.

Individual debts that are known not to be collectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties, default payments and debts more

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

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than 90 days old are considered indicators of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Trade and other payables

Trade and other payables are measured at amortised cost. Other than acquisition contingent consideration, due to their short term nature trade and other payables are not discounted.

They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest-bearing loans and borrowings

Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest rate method.

Fair value estimation

The fair value of financial instruments must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques.

L) INVENTORIES

Inventories, which include raw materials and finished goods, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials - purchase costs on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxation authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished Goods - cost of direct materials and labour and a proportion of variable and fixed

manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

M) IMPAIRMENT

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individual financial assets that are known not to be recoverable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the financial asset. Financial difficulties, default payments and debts more than 90 days old are considered indicators of impairment.

An impaired loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income.

All impairment losses are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Statement of Comprehensive Income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that

are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

N) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

O) EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

P) DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared.

Q) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

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recognised initially at fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Loans and 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 reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

R) PROVISIONS

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If

the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

S) REVENUE

Revenue from the sale of goods is recognised in the Statement of Comprehensive Income at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating there has been a transfer of risk and rewards to the customer, the quantity and quality of the goods has been determined and the price is fixed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or there is continuing management involvement with the goods and the amount of revenue cannot be reliably measured.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

T) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over

the lease term. Operating lease incentives received are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Group as a Lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

U) INCOME TAX AND OTHER TAXES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and

liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or

the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable from the Inland Revenue Department (IRD). In these circumstances the GST component is recognised as part of the underlying item. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the IRD is included within these categories.

V) OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed by the executive management team (the chief operating decision makers) in assessing performance and determining the allocation of resources. The operating segments are identified by management based on the nature of the activities undertaken and the manner in which the product is sold, whether direct or retail sales.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

REPORTABLE SEGMENTS

■ Direct Sales

The direct sales operations are the most significant operating segment of the Group. Direct sales are as much about the marketing plan and lifestyle offered by it, as they are about the products presented as part of the plan offerings. Members sell the plan and buy the products. Major products include nutritional supplements (including colostrum based products) and weight loss packages, with the marketing mix of products and services varying from country to country.

Due to the size of the Malaysia and Taiwan operations and their revenue and profitability, they are shown separately as individual segments, and also as part of a direct sales channel total.

■ Retail Sales NIH (COL+)

This operating segment relates to the production of the Col+ branded colostrum drink, which is sold to wholesale customers for resale through retail channels.

■ Retail Sales Other

The remaining non-direct sales operations of the Group are reported as one operating segment. The majority of products sold in this segment are infant formula and nutritional supplements for resale

through retail channels, and include dairy and colostrum-based products, with the majority of these being sold under the customer's own brand names.

■ FCL Manufacturing

This operating segment manufactures and supplies the majority of products for the direct sales and other non-direct sales segments. In addition some manufacture for third parties is undertaken to recover overheads in manufacturing operations.

■ Head Office

This operating segment provides support shared services and management oversight for the other segments.

This segment is the balance of the entity's activity. Revenues include Group management fees and services, product sold to Group entities at Group transfer prices, and a small amount of third party manufacturing revenue. Expenditure is for cost of sales, shared services, and other operational support which is not readily allocatable to other segments. We consider allocation of overhead from this segment to other operating segments to be inappropriate, and may confuse operating results.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in the notes to the financial statements for the entity.

However, particular policies applicable to segment reporting are as follows:

■ Sales revenue

Revenue from the sale of goods is attributed to each country based upon the location of the entity originating the sale.

■ Inter-entity sales

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

■ Segment assets and liabilities

Segment assets and liabilities are shown net of intra-group balances, as these are a function of operational cash management and funding arrangements intra-group, and are not regarded as a part of each segment's operational balances, even though they may form part of a particular geographical entity's financial position.

■ Inter-segment reconciliations to Group totals

For the Group, the total for all operating segments, adjusted by any inter-segment eliminations, equals the total reported for the entity. Inter-segment eliminations include intra-group sales, cost of sales, commissions, management services fees, and profit on stock still held at reporting date sold at intra-group transfer prices. There are no unallocated entity costs or revenues.

■ Income tax expense

Income tax expense is calculated based on the segment operating profit using a notional charge of 30% (2010: 30%), except for Malaysia which is at 25% (2010: 25%). Partial adjustment (shown wholly in the Head Office Segment) is given for taxable or deductible temporary differences as estimates only to get a total Group position.

W) ADOPTION OF NEW AND REVISED STANDARDS

(i) Changes in Accounting Policy and Disclosures

The Group has adopted the following new and amended New Zealand Equivalents to Financial Reporting Standards and interpretations as of 1 July 2010.

■ Amendments to NZ IFRS 2 – Group Cash-settled Share-based Payment Transactions [NZ IFRS 2] – effective 1 January 2010

■ Improvements to NZ IFRS [2009] – effective 1 January 2010

■ Improvements to NZ IFRS [2010] – effective 1 July 2010

The Group has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Amendments to NZ IFRS 2 – Group Cash-settled Share-based Payment Transactions [NZ IFRS 2]: The amendments clarify the scope of NZ IFRS 2 Share-based Payment by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in NZ IFRIC 8 Scope of NZ IFRS 2 and NZ IFRIC 11 NZ IFRS 2 – Group and Treasury Share Transactions. It did not have an impact on the financial position or performance of the Group.

Annual Improvements Project [2009 & 2010]: In 2009 and 2010 various amendments to NZ IFRS were issued as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

(ii) Accounting Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

■ NZ IFRS 9 – Financial Instruments – effective for periods on or after 1 January 2013

■ NZ IFRS 10 – Consolidated Financial Statements – effective for periods on or after 1 January 2013

■ NZ IFRS 11 – Joint Arrangements – effective for periods on or after 1 January 2013

■ NZ IFRS 12 – Disclosure of Interests in Other Entities – effective for periods on or after 1 January 2013

■ NZ IFRS 13 – Fair Value Measurement – effective for periods on or after 1 January 2013

■ NZ IAS 24 – Related Party Disclosures – effective for periods on or after 1 July 2011

■ NZ IAS 28 – Investments in Associates and Joint Ventures – effective for periods on or after 1 January 2013

■ NZ FRS 44 – New Zealand Additional Disclosures – effective for periods on or after 1 July 2011

We expect that the following standards and interpretations above may impact the Group in the next financial year. The directors have not yet made an assessment of the impact of these standards and interpretations. These standards and interpretations are likely to affect disclosure rather than measurement of transactions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

All standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

X) INVESTMENTS IN ASSOCIATES

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of associate's profits or losses is recognised in the Statement of Comprehensive Income, and its share of movements in other comprehensive income is recognised in Other Comprehensive Income. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Statement of Comprehensive Income as a component of other income.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the Statement of Comprehensive Income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group

for like transactions and events in similar circumstances.

Y) INVESTMENTS IN JOINT VENTURES

The Group's investment in joint venture entities is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent.

Under the equity method, investments in joint venture entities are carried in the consolidated Statement of Financial Position at cost, plus post-acquisition changes in the Group's share of net assets of the joint venture entities. After application of the equity method the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in joint venture entities.

The Group's share of its joint venture entities post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements is adjusted against the carrying amount of the investment. Dividends receivable from joint venture entities are recognised in the parent entity's Statement of Comprehensive Income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in a joint venture entity equals or exceeds its interest in the joint venture entities, the Group does not

recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture entities.

The reporting dates of the joint venture entities and the Group are identical and the joint venture entities' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Z) SHARE BASED PAYMENTS

The Group provides benefits to its employees and directors (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently a single plan in place to provide these benefits, the Employee Share Scheme which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 31.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service

conditions are fulfilled (the vesting period), ending on the date on which the relevant employees and directors become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge or credit to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding increase or decrease to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total

fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

AA) PRIOR YEAR COMPARATIVES

For presentation purposes certain prior period figures have been reclassified for consistency with the current year. The prior year figures were reclassified as this provides more appropriate and accurate classification of financial information.

The impact of the reclassifications on the prior year comparatives was to increase Sale & Distribution Expenses by \$2,441,000 decrease Administration Expenses by \$1,985,000 and decrease Other Expense by \$456,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

2. Revenue

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Sale of Goods and Services	75,777	81,291	-	-
	75,777	81,291	-	-

Revenue includes sales of goods and fees charged for services rendered.

3. Other Operating Income

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Bad Debt Recoveries	15	37	-	-
Foreign Exchange Profits/(Losses)	(560)	(77)	-	-
Reversal of Impairment of Investment in Subsidiary	-	-	-	8,227
Other Sundry Income	589	563	-	-
	44	523	-	8,227

4. Sales & Distribution Expenses

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Commissions on Sales	28,566	32,785	-	-
Event Costs	1,975	2,057	-	-
Freight	879	1,159	-	-
Marketing of Retail Products	201	1,228	-	-
	31,621	37,229	-	-

5. Administration Expenses

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Fees Paid to Auditors:				
Current Parent Auditor	140	109	-	-
Other Auditors of Group Companies	53	33	-	-
Defined Contribution Superannuation	209	55	-	-
Employee Benefits	7,225	6,962	-	-
Merchant & Bank Fees	988	948	-	-
Occupancy Costs	1,667	1,657	-	-
Other Operating Lease Payments	58	33	-	-
General Administration	2,843	2,417	-	-
Amortisation of Patents and Trademarks	146	93	-	-
Depreciation of Property, Plant and Equipment	512	438	-	-
	13,841	12,745	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

6. Other Expenses

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Bad Debts	70	-	-	-
Consulting	1,520	1,497	-	-
Donations	131	73	-	-
Impairment of Goodwill	32	118	-	-
Impairment of Plant & Equipment	600	-	-	-
Impairment of Patents and Trademarks	197	-	-	-
Legal Costs	440	230	-	-
Loss of Disposal of Property, Plant & Equipment	2	25	-	-
Research and Development	73	42	-	-
Travel	690	813	-	-
	3,755	2,798	-	-

7. Acquisitions

ACQUISITION OF AN ASSOCIATE - LIVING NATURE NATURAL PRODUCTS LIMITED

On 1 November 2010, New Image Group Limited acquired 42.24% of the ordinary shares of Living Nature Natural Products Limited ("Living Nature"), an unlisted privately held company based in Kerikeri, Northland, New Zealand. Living Nature develops and manufactures natural skin care products for sale through retail outlets in New Zealand and international markets.

The consideration transferred for the initial acquisition was \$2,720,065 which was paid in cash over a number of dates in October and November 2010, with the final payment prior to issue of shares on 26 November 2010.

On 1 April 2011, New Image Group Limited acquired a further 7.77% of the ordinary shares of Living Nature in exchange for \$500,000 cash. This took the total shareholding of New Image Group Limited in Living Nature to 50%.

The acquisition provides production capacity for the Group's existing colostrum based skincare range, Bio-Rejuv and will support expanding the brand's potential in the direct selling business channel.

The initial acquisition achieved significant influence over Living Nature and the Group has accounted for the associate using the equity method. New Image Group Limited had not achieved effective control upon the subsequent 7.77% investment which took the total holding to 50% as other shareholders have the ability to block substantive decisions of New Image Group Limited as the majority shareholder, preventing the exercise of effective control.

The investment was accounted for as an associate for the eight months from 1 November 2010 to 30 June 2011:

	Group 2011 \$'000
Share of After Tax Losses	
42.24% Share of Losses After Tax for 5 Months to 31 March 2011	(385)
50.00% Share of Losses After Tax for 3 Months to 30 June 2011	(368)
	(753)
Share of Other Comprehensive Income	
42.24% Share of Movement in Foreign Currency Translation Reserve for 5 Months to 31 March 2011	24
50.00% Share of Movement in Foreign Currency Translation Reserve for 3 Months to 30 June 2011	(22)
	2
Carrying Value of Investment in Associate	
Cost of Investment	3,220
Share of After Tax Losses	(753)
Share of Movement in Foreign Currency Translation Reserve	2
As at 30 June	2,469

As at reporting date the carrying value of the investment in associate included a goodwill component of \$2,402,000.

The following table illustrates summarised financial information relating to the Group's associate:

Extract from Living Nature Natural Products Ltd's Statement of Financial Position as at 30 June 2011:

	Group 2011 \$'000
Current Assets	2,286
Non-Current Assets	5,490
	7,776
Current Liabilities	(1,923)
Non-Current Liabilities	-
	(1,923)
Associates Net Assets	5,853

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Extract from Living Nature Natural Products Ltd's Statement of Comprehensive Income for the Year Ended 30 June 2011:

	2011 \$'000
Revenue for the 8 Months to 30 June 2011	2,873
Net Loss for the 8 Months to 30 June 2011	(1,648)
Movement in Foreign Currency Translation Reserve for the 8 Months to 30 June 2011	13

ACQUISITION OF THE SLEEPTIME BUSINESS AND ASSETS

On 1 December 2010, New Image Group Limited acquired 100% of the Sleeptime business and intellectual property off Somnaceutics Limited, an unlisted privately held company based in Auckland, New Zealand. The acquisition was for the Sleeptime business and intellectual property only of Somnaceutics Limited and not for the company itself.

New Image Group Limited acquired the intellectual property used in connection with the business of developing, manufacturing and selling a sleep-enhancing formula and related consumer products carried on by Somnaceutics Limited.

The acquisition introduces to the Group a scientifically based and clinically proven natural product that will complement the existing product range being sold through the direct selling business channel, as well as provide opportunities to sell the product through traditional retail and food service distribution channels globally.

	Consolidated Fair Value at Acquisition Date \$'000
Patents and other IP	150
	150
Fair Value of identifiable acquired net assets	150
Goodwill arising on acquisition	2,950
	3,100
Acquisition date fair value of consideration	3,100
Cash Paid for Acquisition	2,000
Acquisition Contingent Consideration	1,100
	3,100
Direct costs relating to the acquisition (included in legal costs)	19
Acquisition Contingent Consideration:	
On Acquisition	1,100
Unwinding of Discount	50
As at 30 June	1,150
Disclosed as:	
Current	51
Non-current	1,099
As at 30 June	1,150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

The key factors contributing to the \$2,950,000 of goodwill are the synergies existing within the acquired business and synergies expected to be achieved as a result of combining Sleptime with the rest of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Statement of Comprehensive Income includes sales revenue and net profit for the year ended 30 June 2011 of \$98,000 and \$38,000 respectively, as a result of the acquisition of Sleptime. It is not possible to determine what impact the acquisition of Sleptime would have had on the Statement of Comprehensive Income had the acquisition occurred at the beginning of the period as the Sleptime business at the time of purchase is not comparable to how the business has since been integrated into the Group.

Under the terms of the acquisition agreement the Group must pay Somnaceutics, the former owners of Sleptime, additional cash payments based upon sales and revenue from licensing of intellectual property through to 31 December 2016. The potential undiscounted amount of all future payments that could be required is estimated between \$0 and \$3,500,000. The Group has forecast several scenarios and probability weighted each to determine a fair value for this contingent payment arrangement, which has been included in the determination of the consideration transferred. Future changes in estimates of this amount will be recorded directly in the Statement of Comprehensive Income in the periods in which they occur. The valuation assumptions are as for the Sleptime cash generating unit impairment testing (refer Note 16).

8. Net Financing Costs

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Financial Income				
Interest Income	152	189	-	-
Financial Costs				
Interest Expense	(716)	(272)	-	-
Net Financing Cost	(564)	(83)	-	-

Interest income is earned on funds placed in interest earning call deposit accounts in Malaysia, Taiwan and New Zealand.

9. Income Tax

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Recognised in the Statement of Comprehensive Income				
Current Tax Expense:				
Current Year	2,691	3,764	-	-
Under / (Over) provided in prior years	(87)	169	-	-
Deferred Tax	(249)	(166)	-	-
	2,355	3,767	-	-
Reconciliation of Statutory Tax Rate				
Operating Profit before Taxation	4,694	11,117	-	8,227
Tax at the New Zealand tax rate of 30%	1,408	3,335	-	2,468
Effect of future tax rate reduction	39	(6)	-	-
Overseas tax losses not recognised	599	240	-	-
Non-assessable income	-	-	-	(2,468)
Non-deductible expenditure	593	184	-	-
Differences in overseas tax rates	(295)	(155)	-	-
Under / (Over) provided in prior years	(87)	169	-	-
Excess foreign tax credits	98	-	-	-
	2,355	3,767	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Deferred Tax Assets and Liabilities

Movement in temporary differences during the year:

	Balance 1 July 10	Recognised in income	Recognised in equity	Balance 30 June 11
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment	(82)	173	-	91
Inventories	43	50	-	93
Employee Benefits	284	(13)	-	271
Provisions	53	39	-	92
	298	249	-	547

	Balance 1 July 09	Recognised in income	Recognised in equity	Balance 30 June 10
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment	16	(98)	-	(82)
Inventories	67	(24)	-	43
Employee Benefits	65	219	-	284
Provisions	4	49	-	53
Other Items	(20)	20	-	-
	132	166	-	298

Deferred tax has been calculated at 28% (2010: 30%) reflecting the income tax rate applicable for the 2012 financial year and beyond.

Unrecognised Deferred Tax Asset and Liabilities

The Group has not recognised the benefit of tax losses in other jurisdictions of \$7,032,000 (2010: \$4,553,000) as these will only be available should entities in those jurisdictions return to profit.

Imputation Credits

	Company	
	2011	2010
	\$'000	\$'000
Balance 1 July	66	600
New Zealand tax payments	444	1,304
Imputation credits attached to dividends	(466)	(1,838)
Balance 30 June	44	66

At balance date, the imputation credits available to the shareholders of the parent were \$44,000 (2010: \$66,000). There are no imputation credits available through indirect interests in subsidiaries (2010: \$Nil).

10. Capital Management & Dividends

Capital Management

Management monitor capital through the gearing ratio (net debt/total capital). The gearing ratios as at 30 June 2011 and 2010 were as follows:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Total Borrowings	9,290	3,113	-	-
Plus Trade & Other Payables	10,090	7,113	-	-
Less Cash and Cash Equivalents	(13,030)	(18,880)	-	-
Net Debt	6,350	(8,652)	-	-
Total Equity	22,955	25,221	7,251	10,659
Total Capital	29,305	16,569	7,251	10,659
Gearing Ratio	22%	-52%	0%	0%

The Group is subject to externally imposed capital requirements via a banking covenant of the Group's bankers, HSBC, which requires the Group's Tangible Net Worth to Total Tangible Assets to be greater than 40%. The covenant ratios as at 30 June 2011 and 2010 were as follows:

	Group	
	2011	2010
	\$'000	\$'000
Shareholders Equity	22,955	25,221
Less Intangible Assets and Goodwill	(5,565)	(2,558)
Tangible Net Worth	17,390	22,663
Total Assets	43,434	35,909
Less Intangible Assets and Goodwill	(5,565)	(2,558)
Total Tangible Assets	37,869	33,351
Covenant Ratio	46%	68%

As at 30 June the Group is compliant with the externally imposed capital requirement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Dividends

Management monitor capital through the return on capital (dividends/shareholders equity). The return on capital as at 30 June 2011 and 2010 were as follows:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Total Dividends Paid	3,633	4,841	3,633	4,841
Shareholders Equity	22,955	25,221	7,251	10,659
Return on Capital	16%	19%	50%	45%

In 2011 a final dividend of ½ cent per share (half a cent per share) was paid for the 2010 financial year, and an interim dividend of 1 cent per share for the 2011 year was declared and paid.

Of paid dividends, some shareholders opted to increase their shareholdings under the Dividend Retention Plan. The total retained under the Dividend Retention Plan from the dividends was \$49,534 (2010: \$908,109). The Dividend Retention Plan was suspended on 26 April 2011.

In 2010 a final dividend of 1 cent per share was paid for the 2009 financial year.

11. Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance 1 July	(684)	(508)	-	-
Translation Differences	(1,213)	(176)	-	-
Balance 30 June	(1,897)	(684)	-	-

Share Based Payments

Share based payments record the value of share based payments provided to employees and directors, including Key Management Personnel as part of their remuneration and contracts (refer Note 30 & 31).

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance 1 July	154	115	154	115
Share Based Payments	162	39	162	39
Balance 30 June	316	154	316	154

12. Share Capital

	Company		Number	
	2011 \$'000	2010 \$'000	2011	2010
Balance 1 July	34,864	33,945	241,819,609	239,112,345
Net Shares Issued	63	919	1,834,975	2,707,264
Balance 30 June	34,927	34,864	243,654,584	241,819,609

During the year shares were issued under the Dividend Retention Plan in lieu of Dividends. On 17 December 2010 199,975 shares were issued relating to the final dividend. The Dividend Retention Plan was suspended on 26 April 2011.

All issued shares are fully paid except for the 8,730,000 (2010: 7,095,000) shares issued and still remaining under the Employee Share Scheme, which are partly paid at 1 cent per share.

Shares issued/forfeited under the Employee Share Scheme:

On 20 November 2008 the Company issued a first tranche of 6,010,000 share options at 13 cents each for the Employee Share Scheme. The shares were for a total value of \$60,100 (partly paid at 1 cent per share). In the 2010 financial year 1,050,000 of the tranche 1 share options were forfeited and the Company cancelled the 1,050,000 shares. In 2010 the Company issued a second tranche of 2,135,000 share options at 67 cents per share. The shares were for a value of \$21,350 (partly paid at 1 cent per share). In the current financial year 365,000 of the tranche 2 share options were forfeited and the Company cancelled the 365,000 shares. In the current financial year the Company issued a third tranche of 2,000,000 share options at 28 cents per share. The shares were for a value of \$20,000 (partly paid at 1 cent per share).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

	Company	
	2011	2010
Shares Issued under the Scheme	2,000,000	2,135,000
Shares Forfeited under the Scheme	(365,000)	(1,050,000)
Net Movement for the Year	1,635,000	1,085,000

Share Capital for the Group	Group	
	2011	2010
	\$'000	\$'000
Balance 1 July	11,874	10,955
Shares Issued	63	919
Balance 30 June	11,937	11,874

As explained in the accounting policies, the amount recognised as issued capital for the Group is determined by adding any subsequent share issues by the Company to the issued capital of the legal subsidiary, New Image International Limited, immediately before the reverse acquisition.

Fully paid ordinary shares carry one vote per share and carry equal rights to dividends and proceeds on winding up. The shares have no par value.

13. Earnings Per Share

Basic Earnings and Diluted Earnings Per Share

The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$2,433,000 (2010: \$7,529,000) and a weighted average number of basic ordinary shares outstanding during the year ended 30 June 2011 of 234,831,993 (2010: 233,844,877). The calculation of diluted EPS is the weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 239,791,993 (2010: 239,854,877), calculated as follows:

Profit Attributable to Ordinary Shareholders	2011	2010
Basic earnings per share (cents per share)	1.04	3.22
Diluted earnings per Share (cents per share)	1.01	3.14

Weighted Average Number of Shares

	2011	2010
Weighted average number of ordinary shares for basic earnings per share	234,831,993	233,844,877
Effect of dilution:		
Share options	4,960,000	6,010,000
Weighted average number of ordinary shares adjusted for the effect of dilution	239,791,993	239,854,877

Excluded from the diluted Earnings Per Share calculation are the 2,135,000 tranche 2 and 2,000,000 tranche 3 shares as they are out of the money and therefore anti-dilutive.

14. Interest-bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 22.

Group	2011	2010
	\$'000	\$'000
Clegg Family Trust (unsecured)	6,500	2,715
Food Contractors (1979) Ltd (vendor finance)	400	400
Hongkong and Shanghai Banking Corporation Ltd	1,767	-
Tax Management New Zealand Ltd	500	-
BOQ Equipment Finance Ltd (finance lease)	53	-
Kiwi Asset Finance Ltd	70	-
Total Loans	9,290	3,115
Repayable within 1 Year	9,200	2,715
Repayable between 1 and 3 Years	90	400
Total Loans	9,290	3,115

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Clegg Family Trust (unsecured)

The loans from the Clegg Family Trust are unsecured and carry interest rates as follows:

Group	Loan		Interest Rate	
	2011 \$'000	2010 \$'000	2011	2010
Unsecured Loan	538	538	10.31%	9.77%
Unsecured Loan	466	466	9.85%	9.85%
Unsecured Loan	711	711	10.31%	9.77%
Unsecured Loan	1,000	1,000	10.31%	9.77%
Unsecured Loan	3,785	-	10.31%	-
Total Unsecured Loans	6,500	2,715		

Food Contractors (1979) Ltd (vendor finance)

The loan from Food Contractors (1979) Limited is secured over the plant and equipment of the Food Contractors business and carries an interest rate of 9.77% (2010: 9.5%) and is repayable in full on 10 February 2012.

Hongkong and Shanghai Banking Corporation Ltd

The loan from Hongkong and Shanghai Banking Corporation Ltd ("HSBC") is part of a facility limit of \$3,000,000 raised to fund the dairy spray drier plant currently under construction in Paerata, South Auckland.

Interest is payable monthly in arrears, the interest rate at 30 June 2011 was 12.50%.

The loan is interest only for the first 7 months to 17 January 2012 and for the first 12 months following the interest only period, principal monthly repayments will be \$50,000 and for the second and third 12 month periods repayments will be \$100,000. The balance of the facility is repayable in one lump sum on 17 November 2014 (42 months from the first drawdown date).

The loan is secured by a first ranking general security agreement ("GSA") in favour of HSBC over all tangible and intangible assets of New Zealand registered companies in the New Image Group. The New Image Group New Zealand registered companies consists of the following:

- New Image Group Limited
- New Image International Limited
- BioActive Technologies International Limited
- Symbiotics (NZ) Limited
- BioActive Technologies Asia Pacific Limited
- Vitenz International Limited
- Food Contractors Limited
- New Image Natural Health Limited

The Parent has given an undertaking to procure its Malaysian subsidiary to execute such documents in forms acceptable to HSBC to be joined as a party to the GSA within three months of the date of the facility agreement, which was executed on 10 June 2011, or such period as to by HSBC in its sole discretion. If the Parent breaches this undertaking, the Group shall promptly make a principal repayment to ensure that the principal outstanding does not exceed \$2,000,000, and the facility limit will be reduced accordingly. The Parent undertakes to HSBC that it will not pay any dividends or make any distribution until it has made the repayment.

During the term of the facility the Group has undertaken not to incur or undertake any capital expenditure or acquisition which is greater than \$250,000 without the prior written consent of HSBC.

The Group have also provided HSBC with a Negative Pledge not to allow any of its 100% owned subsidiaries to grant any security without HSBC's prior approval.

The loan has been classified as current, as at 30 June 2011 the Group was in breach of an HSBC banking covenant (refer also to Note 19). The Group has not sought a waiver for the breach as on 11 August 2011 all facilities with HSBC were repaid and replaced by new facilities provided by ANZ National Bank Ltd with a different set of banking covenants that the Group was compliant with at drawdown on 11 August 2011.

Tax Management New Zealand Ltd

The loan from Tax Management New Zealand Ltd is unsecured, carries an interest rate of 5.78% and is repayable on 22 July 2011.

BOQ Equipment Finance Ltd (finance lease)

The loan from BOQ Equipment Finance Ltd is secured over a barcode laser printer with a carrying value of \$56,865 and carries an interest rate of 7.95% and is repayable with an initial payment of \$7,159 followed by 47 equal monthly instalments of \$1,600 with the final payment due on 1 June 2015.

Kiwi Asset Finance Ltd

The loan from Kiwi Asset Finance Ltd is secured over two forklifts and a sleeve labeller with a carrying value of \$151,245 and carries an interest rate of 12.25% and is repayable in 36 equal monthly instalments of \$2,392 with the final payment due on 1 May 2014.

Company

The Company has no interest bearing loans and borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

15. Property, Plant and Equipment

Group	Capitalised Work in Progress \$'000	Leasehold Improvements \$'000	Office Furniture \$'000	Plant & Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost							
Balance at 1 July 2010	-	1,470	321	3,954	1,428	81	7,254
Additions	3,315	234	12	1,803	167	2	5,533
Disposals	-	-	-	(32)	(1)	(1)	(34)
Effects of Movements in Foreign Exchange	-	(81)	(9)	(37)	(33)	(9)	(169)
Balance at 30 June 2011	3,315	1,623	324	5,688	1,561	73	12,584
Accumulated Depreciation							
Balance at 1 July 2009	-	912	227	2,919	1,804	80	5,942
Additions	-	565	95	1,053	213	-	1,926
Disposals	-	-	-	-	(591)	-	(591)
Effects of Movements in Foreign Exchange	-	(7)	(1)	(18)	2	1	(23)
Balance at 30 June 2010	-	1,470	321	3,954	1,428	81	7,254
Accumulated Depreciation							
Balance at 1 July 2010	-	386	188	825	942	64	2,405
Depreciation Charge for Year	-	204	29	750	315	7	1,305
Disposals	-	-	-	(18)	-	(1)	(19)
Impairment	-	-	-	600	-	-	600
Effects of Movements in Foreign Exchange	-	(33)	(3)	(18)	(27)	(6)	(87)
Balance at 30 June 2011	-	557	214	2,139	1,230	64	4,204
Carrying Amounts							
Balance at 1 July 2009	-	220	168	434	1,241	55	2,113
Depreciation Charge for Year	-	198	26	382	254	9	869
Disposals	-	-	-	-	(566)	-	(566)
Effects of Movements in Foreign Exchange	-	(32)	(1)	9	13	-	(11)
Balance at 30 June 2010	-	386	188	825	942	64	2,405
Carrying Amounts							
As at 30 June 2011	3,315	1,066	110	3,549	331	9	8,380
As at 30 June 2010	-	1,084	133	3,129	486	17	4,849

The Company does not hold any Property, Plant and Equipment (2010: Nil).

Included in Other Expenses is \$2,000 (2010: \$25,000) net loss on disposal of Property, Plant & Equipment.

The capitalised work in progress represents the costs to date to construct the dairy spray drier plant at Paerata, scheduled for completion in September 2011. Included in capitalised work in progress is \$50,000 of borrowing costs, which represents 100% of the borrowing costs as the loan raised is solely to fund the Paerata spray drier plant.

The impairment charged to plant & equipment assets is a result of the write-down of the plant & equipment used exclusively to produce the Col+ beverage. The impairment to the plant & equipment is a result of the sales for the Col+ beverage falling significantly short of forecast and the minimum sales required to keep the plant & equipment operating at breakeven. The impairment loss was recognised to reduce the plant & equipment carrying amount to recoverable amount, based on fair value less costs to sell. An independent valuation was obtained to determine fair value, which was based on market evidence for prices obtained for similar assets within the same industry.

16. Intangible Assets and Goodwill

Group	Goodwill \$'000	Patents & Trademarks \$'000	Software \$'000	Total \$'000
Cost				
Balance at 1 July 2010	2,365	580	-	2,945
Additions through Business Acquisitions	2,950	150	-	3,100
Additions	-	120	162	282
Balance at 30 June 2011	5,315	850	162	6,327
Accumulated Amortisation				
Balance at 1 July 2009	2,365	434	-	2,799
Additions	-	146	-	146
Balance at 30 June 2010	2,365	580	-	2,945
Accumulated Amortisation				
Balance at 1 July 2010	118	269	-	387
Amortisation Charge for Year	-	146	-	146
Impairment	32	197	-	229
Balance at 30 June 2011	150	612	-	762
Carrying Amounts				
Balance at 1 July 2009	-	176	-	176
Amortisation Charge for Year	-	93	-	93
Impairment	118	-	-	118
Balance at 30 June 2010	118	269	-	387
Carrying Amounts				
As at 30 June 2011	5,165	238	162	5,565
As at 30 June 2010	2,247	311	-	2,558

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

The Company does not hold any intangible assets and goodwill.

Acquired patents and trademarks are considered fixed life intangible assets.

The impairment charged to patents & trademarks is a result of the write-down of the international trademarks associated with the Col+ beverage for countries that will not be pursued for market opportunities.

Impairment Tests for Cash-generating Units containing Goodwill

The following units have significant carrying amounts of goodwill

	Group	
	2011 \$'000	2010 \$'000
Symbiotics (sub group)	1,440	1,440
Food Contractors (sub group)	775	775
Sleeptime (sub group)	2,950	-
Other Direct Sales (sub group)	-	32
Balance 30 June	5,165	2,247

Goodwill acquired through business combinations have been allocated to and are tested at the level of their respective cash generating units for impairment testing as follows:

- Symbiotics cash generating unit
- Food Contractors cash generating unit
- Sleeptime cash generating unit

The recoverable amount of each unit is based on value in use calculations. These calculations use cash flow projections based on forecasts for the five years ended 30 June 2016. The forecast discounted cash flows significantly exceed the carrying value of goodwill and the related assets for the units listed above. The forecasts do not include a terminal value for cash flows past five years. In order for the units' goodwill and related fixed assets to be impaired, actual cash flows for the forecast periods would need to fall below the actual achieved for the 2011 financial year.

Symbiotics & Food Contractors Sub Groups

The cash flow projections used to establish value in use are based on actual operating results for 2011 the approved 2012 budget and forecasts approved by management covering a further 4 year period to 30 June 2016. In preparing the forecasts, management have assumed 5% revenue growth per annum (2010: 5% p.a.), which is the same as the long term average growth rate for the industry.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the business. A pre-tax discount rate of 10% (2010: 22%) has been used in discounting the projected cash flows.

Sleeptime Sub Group

Goodwill arose on the acquisition of the Somnaceutics Ltd business of developing, manufacturing and selling a sleep-enhancing formula branded as Sleeptime. The Sleeptime business has been absorbed as a separate operating division of New Image International Ltd and cash flow projections used to establish value in use are based on the operating budgets established for the 2012 financial year and forecasts approved by management covering a further 4 year period to 30 June 2016. The budgets and forecasts are based on previous experience in achieving new product sell through in the direct sales channel of the Group and the results of market research into projections of achievable market penetration rates for sales of the product through targeted wholesale and retail channels. After the initial establishment year budgeted for 2012, the revenue growth management have assumed for year 2 is 225%, with year 3 assuming further growth of 53%, year 4 assuming growth of 24%, and year 5 assuming growth of 18%.

A pre-tax discount rate of 10% has been used in discounting the projected cash flows.

Other Directs Sales (sub group)

The Other Direct Sales (sub group) relates to goodwill purchased on the acquisition of various offshore located businesses. The goodwill on business acquisitions in the Other Direct Sales sub group has been impaired to the extent that the recoverable amounts of the Other Direct Sales sub group value in use was less than their fair value less costs to sell.

17. Inventories

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finished Goods	4,079	3,639	-	-
Raw Materials	4,990	2,366	-	-
Total Inventory - Gross	9,069	6,005	-	-
Less Writedown	(350)	(67)	-	-
Inventory at the Lower of Cost and Net Realisable Value	8,719	5,938	-	-

Inventory impairment expense for the year was \$601,000 (2010: \$43,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

18. Trade and Other Receivables

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Trade Receivables	2,072	2,204	-	-
Prepayments	1,157	1,194	-	-
GST Receivable	567	-	-	-
Advance to Associate	120	-	-	-
Impairment Provisions	(11)	(12)	-	-
	3,905	3,386	-	-

Trade receivables are shown gross of impairment losses of \$11,000 (2010: \$12,000). The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 22.

19. Cash and Cash Equivalents

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash at Bank and on Hand	6,684	13,080	-	-
Short-Term Deposits	7,563	5,800	-	-
Bank Overdrafts	(1,217)	-	-	-
	13,030	18,880	-	-

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

Offshore Bank Balances

The Group has significant cash balances held locally in Malaysia and Taiwan which are not available for repatriation on demand:

	Group	
	2011	2010
	\$'000	\$'000
Malaysian Bank Balances	8,773	13,015
Taiwan Bank Balances	4,700	4,698
	13,473	17,713

Malaysian Bank Balances

As New Image International Limited directly owns only a minority of the shares in the company and indirectly owns the remaining shares through formal arrangements with the other legal shareholders (refer Note 20), obtaining distribution of earnings is necessarily performed on a progressive basis. This is achieved through dividends received and cash advances made by the Malaysian subsidiary. Total funds received by New Image International Limited from the Malaysian subsidiary by way of dividends or advances during the year were \$5,307,000 (2010: \$4,394,000)

Taiwan Bank Balances

The repatriation of funds from Taiwan require local jurisdiction taxation laws to be followed which restricts the amount of cash able to be repatriated on demand. Total funds repatriated to New Image International Ltd during the year were \$2,893,000 (2010: \$3,194,000).

Overdraft

The Group has an on demand overdraft facility of \$1,000,000 (2010: \$1,000,000) with The Hong Kong and Shanghai Banking Corporation Ltd (HSBC) which was increased by a temporary facility of \$330,000 as at 30 June 2011. The temporary facility is repayable on 20 July 2011. The overdraft was drawn on by \$1,216,739 as at 30 June 2011 (2010: Nil drawn). The interest rate as at 30 June 2011 was 9.50% (2010: 9.75%).

The bank overdraft is secured by a first ranking general security interest in favour of HSBC over all tangible and intangible assets of New Zealand registered companies in the New Image Group as per Note 14.

As at 30 June 2011 the Group was in breach of one of the HSBC banking covenants with respect to the overdraft facility. The Group has not sought a waiver for the breach as on 11 August 2011 all facilities with HSBC were repaid and replaced by new facilities provided by ANZ National Bank Ltd with a different set of banking covenants that the Group was compliant with at drawdown on 11 August 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

20. Investments and Intercompany Loans

	Company	
	2011 \$'000	2010 \$'000
Intercompany Loans	(4,658)	1,970
Investment in Associates	3,220	-
Investment in Subsidiaries	8,689	8,689
Investment in Joint Ventures	-	-
Total Investment	11,909	8,689

Investments in subsidiaries and loans to New Image International Limited had been fully impaired at 30 June 2007. This impairment allowance was reversed in the prior year to the extent of positive net assets of the subsidiaries of the Company. This reversal reflects profitable trading at this level during the current and preceding two years.

Intercompany Loans

The Company has loans receivable from / (payable to) New Image International Limited, the holding company. These loans are interest free and repayable on demand, however they are not expected to be called upon within the next 12 months. Loans are written down to the lower of cost and the net carrying value to the company.

Investments in subsidiaries

The group comprises the following significant entities:

Name	Country	Activity	Percentage Held	
			2011	2010
New Image Group Limited	New Zealand	Holding company		
New Image International Limited	New Zealand	Holding & trading company	100%	100%
BioActive Technologies International Limited	New Zealand	Trading company	100%	100%
Symbiotics (N.Z.) Limited	New Zealand	Trading company	100%	100%
BioActive Technologies Asia Pacific Limited	New Zealand	Dormant	100%	100%
Vitenz International Limited	New Zealand	Trading company	100%	100%
Food Contractors Limited	New Zealand	Trading company	100%	100%
New Image Natural Health Limited	New Zealand	Trading company	100%	100%
New Image International (Australia) Pty Limited	Australia	Trading company	100%	100%
Pt. Kharisma Gizindo Perkasa	Indonesia	Trading company	*100%	*100%
NZ New Image SDN BHD.	Malaysia	Trading company	**100%	**100%
New Image International Singapore (Private) Limited	Singapore	Trading company	100%	100%
New Image International Far East (Philippines), Inc.	Philippines	Trading company	***100%	***100%
New Zealand New Image Limited	Hong Kong	Trading company	100%	100%
Golden Dairy (HK) Limited	Hong Kong	Trading company	60%	60%
New Image Health Sciences (SA) Limited	South Africa	Trading company	100%	100%
New Image International Japan Kabushiki Kaisha	Japan	Trading company	100%	100%
New Image International (Thailand) Co. Limited	Thailand	Trading company	100%	95%
New Image International (Cambodia) Co. Limited	Cambodia	Trading company	100%	100%
New Subsidiaries Incorporated in 2011:				
Pt. New Image Health Sciences	Indonesia	Trading company	100%	NA
New Image International (Vietnam) Co. Limited	Vietnam	Trading company	100%	NA

In addition, New Image International Limited has a trading branch in Taiwan. The subsidiaries designated as trading companies above are all involved in the marketing, manufacture and distribution of health and nutritional products.

* 100% of Pt Kharisma Gizindo Perkasa is consolidated into the Group's result. All of the shares of the company are indirectly held through formal arrangements with the legal shareholders providing the Group with full economic and management control.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

** 100% of New Zealand New Image SDN BHD is consolidated into the Group's result. New Image International Limited directly owns a minority of the shares in the company and indirectly owns the remaining shares through formal arrangements with the other legal shareholders, providing the Group with full economic and management control.

*** 100% of New Image International Far East (Philippines), Inc. is consolidated into the Group's result. New Image International Limited directly owns a minority of the shares in the company and indirectly owns the remaining shares through a formal arrangement with the other legal shareholder, providing the Group with full economic and management control.

Investment in Associates

Name	Country	Activity	Percentage Held	
			2011	2010
Living Nature Natural Products Limited	New Zealand	Trading company	50%	NA

Investment in Joint Ventures

Name	Country	Activity	Percentage Held	
			2011	2010
Primary Nutrition Limited	New Zealand	JV trading company	50%*	50%*

* The company holds 50% of Primary Nutrition Limited and equity accounts for its share of the profits.

21. Trade and Other Payables

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade Payables	7,755	4,822	-	-
Employee Entitlements	1,224	1,220	-	-
GST Payable	315	128	-	-
Sundry Payables and Accruals	745	943	-	-
Acquisition Contingent Consideration	51	-	-	-
	10,090	7,113	-	-

22. Financial Instruments

Exposure to currency, interest rate, credit and liquidity risks arises in the normal course of the Group's business. To manage and limit the effects of these risks the Group operates within the following policies and utilises the following financial instruments.

In carrying out its various operations, the Group is exposed to significant amounts of interest rate risk and credit risk. The Group's exposure to these risks and the action that the Group has taken to reduce these risks is outlined below.

A. CREDIT RISK

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, trade and other receivables. The Group performs credit evaluations on all customers requiring credit and no collateral is required in respect of financial assets. A deposit and/or a letter of credit are required on overseas sales.

In the normal course of business, the Group incurs credit risk from debtors and transactions with banking institutions. The Group manages its exposure to credit risk by:

- holding bank balances and short-term deposits with registered banking institutions; and
- maintaining credit control procedures over debtors.

The maximum exposure at reporting date is equal to the total amount of bank balances, short-term deposits and receivables disclosed in the Statement of Financial Position. Receivables are reviewed in detail. Where there is doubt about the collectability of a debt a provision for the impairment for the value of the receivable is made and expensed through the Statement of Comprehensive Income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

The Group does not require any collateral or security to support these financial instruments and other debts it holds due to the low risk associated with the realisation of these instruments.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group	
		2011 \$'000	2010 \$'000
Carrying Amount			
Trade Receivables	18	2,072	2,204
Cash and Cash Equivalents	19	13,030	18,880
		15,102	21,084
Receivables			
Ageing of Receivables (net of impairments)			
Current		1,854	2,026
0-30 Days		167	105
31-365 Days		40	61
Greater than 1 Year		-	-
		2,061	2,192

The movement in the allowance for individually impaired receivables was as follows:

	Group	
	2011 \$'000	2010 \$'000
Balance 1 July	12	27
Impairment Reversal	(1)	(15)
Balance 30 June	11	12

The Group reviews all receivables at year end and has made an impairment allowance to reflect the incurred losses in receivables.

	Group	
	2011 \$'000	2010 \$'000
Current - Not Impaired	1,854	2,026
Current - Impaired	-	-
Past Due - Not Impaired	207	166
Past Due - Impaired	11	12
	2,072	2,204

There are no significant concentrations of credit risk.

	Note	Company	
		2011 \$'000	2010 \$'000
Carrying Amount			
Intercompany Loan	20	-	1,970
		-	1,970

There are no significant concentrations of credit risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

B. LIQUIDITY RISK

The Group closely monitors its cash inflows and cash requirements to manage the net position in accordance with undrawn funds available under its overdraft facility.

The contractual maturities of financial liabilities are as follows:

Group 2011	Note	Total	< 6 Months	6-12 Months	1-2 Years	2-3 Years	> 3 Years
Trade and Other Payables	21	(10,039)	(10,039)	-	-	-	-
Acquisition Contingent Consideration	7	(1,600)	(13)	(42)	(219)	(324)	(1,002)
Interest Bearing Loans and Borrowings	14	(9,704)	(9,169)	(430)	(46)	(44)	(15)
		(21,343)	(19,221)	(472)	(265)	(368)	(1,017)

Group 2010	Note	Total	< 6 Months	6-12 Months	1-2 Years	2-3 Years	> 3 Years
Trade and Other Payables	21	(5,893)	(5,893)	-	-	-	-
Interest Bearing Loans and Borrowings	14	(3,349)	(2,867)	(19)	(38)	(425)	-
		(9,242)	(8,760)	(19)	(38)	(425)	-

Company 2011	Note	Total	< 6 Months	6-12 Months	1-2 Years	2-3 Years	> 3 Years
Intercompany Loan	20	(4,658)	(4,658)	-	-	-	-
		(4,658)	(4,658)	-	-	-	-

Company 2010	Note	Total	< 6 Months	6-12 Months	1-2 Years	2-3 Years	> 3 Years
Intercompany Loan	20	-	-	-	-	-	-
		-	-	-	-	-	-

C. CURRENCY RISK

Foreign currency risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Group's manufacturing companies charge subsidiaries in New Zealand dollars and most export contracts are in New Zealand dollars. To minimise risks subsidiary companies pay on or soon after shipment where they have sufficient funds. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than the Group's functional currency. Such transactions which would typically expose the Group to foreign currency risk include some exported sales and imported purchases, which involve subsidiaries. The currencies giving rise to currency risk, in which the Group primarily deals are Malaysian ringgit, Taiwan dollar, Singapore dollar, Indonesian rupiah, Philippine peso, Australian dollar, Hong Kong dollars, South African rand, Japanese yen, Thai baht and United States dollars. At balance date the Group had no foreign currency forward contracts in place (2010: Nil).

Exposure to Currency Risk

The Group's exposure to foreign currency risk were as follows based on notional amounts:

Group	Financial Assets \$'000	Trade & Other Payables \$'000	Gross Balance Sheet Exposure \$'000
As at 30 June 2011			
Malaysian Ringgit	10,321	1,195	9,126
Singapore Dollar	170	23	147
Indonesian Rupiah	601	164	437
Philippine Peso	109	61	48
Taiwan Dollar	6,613	2,444	4,169
Australian Dollar	229	147	82
Hong Kong Dollar	441	165	276
South African Rand	71	25	46
Japanese Yen	286	18	268
Thai Baht	70	80	(10)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Group	Financial Assets	Trade & Other Payables	Gross Balance Sheet Exposure
	\$'000	\$'000	\$'000
As at 30 June 2010			
Malaysian Ringgit	14,914	2,519	12,395
Singapore Dollar	619	38	581
Indonesian Rupiah	651	146	505
Philippine Peso	109	40	69
Taiwan Dollar	6,823	2,833	3,990
Australian Dollar	313	127	186
Hong Kong Dollar	71	4	67
South African Rand	74	19	55
Japanese Yen	305	51	254

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2011	2010	2011	2010
NZD				
Malaysian Ringgit	2.3403	2.3846	2.5067	2.2582
Singapore Dollar	0.9809	0.9872	1.0199	0.9706
Indonesian Rupiah	6,723	6,654	7,134	6,290
Philippine Peso	33.38	33.00	36.01	32.21
Taiwan Dollar	22.83	22.58	23.86	22.32
Australian Dollar	0.7675	0.7948	0.7725	0.8137
Hong Kong Dollar	5.8989	5.4441	6.4619	5.3999
South African Rand	5.3125	5.3234	5.6264	5.3116
Japanese Yen	62.8504	63.8142	66.7300	61.4600
Thai Baht	23.2663	n.a	25.500	n.a

Sensitivity Analysis

A 10 percent weakening of the New Zealand dollar against the following currencies at 30 June would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain consistent. The analysis is performed on the same basis for 2010.

	Profit/(loss)	
	2011 NZ\$'000	2010 NZ\$'000
Malaysian Ringgit	934	1,579
Singapore Dollar	(15)	37
Indonesian Rupiah	19	42
Philippine Peso	(15)	(5)
Taiwan Dollar	1,082	374
Australian Dollar	35	35
Hong Kong Dollar	(32)	(15)
South African Rand	(27)	(20)
Japanese Yen	(47)	9
Thai Baht	(6)	-
	1,928	2,036

There would be no impact on other comprehensive income.

A 10% strengthening of the New Zealand dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all variables remain consistent.

D. INTEREST RATE RISK

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances, bank overdraft and loans and borrowings. Interest rates on borrowings ranged from 5.78% through to 12.50% p.a. (2010: 9.50% through to 9.85% p.a.). The Group manages interest rate risk through a combination of fixed and variable rate instruments and continually monitoring its expense.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

	Group	
	2011	2010
	\$'000	\$'000
Fixed Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(9,290)	(3,115)
Variable Rate Instruments		
Financial Assets	7,563	5,800
Financial Liabilities	(1,217)	-

Cash Flow Sensitivity Analysis for Variable Rate Instruments

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit	
	2011	2010
	\$'000	\$'000
Consolidated		
+1.0% (100 Basis points) Increase to Profit	44	41
-0.5% (50 Basis Points) Decrease to Profit	(22)	(20)

There would be no impact on other comprehensive income.

There is no cash flow interest rate risk associated with bank balances where the funds held were not invested to earn interest.

E. FAIR VALUES

Fair Values versus Carrying Amounts

At 30 June 2011, the fair values approximate the carrying amounts for all financial instruments held by the Group.

23. Related Parties

Transactions with Group Companies

Parent

The transactions between the Company and the Group are limited to transactions with New Image International Limited, the Group's intermediate holding company.

As the Company does not have a bank account, funds received for share issues, payments of dividends and purchases of Associates are made via New Image International Limited (Refer to Note 20 for details of intercompany loan transactions).

Associate

During the year the Group conducted transactions in the normal course of business with its Associate, Living Nature Natural Products Ltd. Total purchases during the year were \$249,000 and the balance payable at year end was \$171,000. Total sales during the year were \$4,000, which was still owed as at year end. The Group also made cash advances of \$160,000 during the year for the purchase of raw materials related to the manufacture of products for the Group, of which \$120,000 remained owing as at year end. The advance will be off-set against committed production orders and is non-interest bearing.

Transactions with Directors and Key Management Personnel

a) During the year, subsidiaries of the Group conducted transactions in the normal course of business with the following entities, of which Graeme Clegg is a director or a major shareholder:

- Dreamweaver Charters Limited of which the Group undertakes boat charters;
- New Image Travel and Lifestyle Limited of which the Group received rent and income from the sale of goods;

Sales to these related parties totalled \$131,000 (2010: \$98,000) and purchases were \$5,000 (2010: \$5,000). Balances owing at year end were \$16,000 (2010: \$57,000) and balances payable of \$2,000 (2010: \$Nil). Rental Income of \$10,000 (2010: \$10,000) was received.

b) The Group has shareholder loans of \$6,500,000 (2010: \$2,715,000) from the Clegg Family Trust of which Alan Stewart and Graeme Clegg are Trustees (refer Note 14).

c) The Group rents premises from the Clegg Family Trust at an annual rental of \$613,000 per annum (2010: \$582,000 per annum). The actual expense incurred during the year was \$595,000 (2010: \$582,000). The total lease commitment at reporting date was \$1,649,000 (2010: \$1,162,000) and no amount was owing on leases at year end (2010: \$Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

- d)** The Group engages the services of Stewart Consulting Limited of which Alan Stewart is the principal for tax and accounting advice. Expenses incurred from Stewart Consulting Limited amounted to \$6,000 (2010: \$4,000) during the year, this balance was payable at year end (2010: \$Nil).
- e)** During the prior year the Group received consultancy services from Parkin Technologies Limited, of which Max Parkin is a Director. Expenses incurred from this company amounted to \$Nil (2010: \$30,000) during the year. No balance was payable at year end (2010: \$Nil).
- f)** During the year the Group received consultancy services from Nigel Sinclair Associates Pty Limited, of which Nigel Sinclair is a Director. Expenses incurred from this company amounted to \$44,000 (2010: \$95,000) during the year. The balance payable at year end was \$Nil (2010: \$9,000).
- g)** The Group rents premises from Wells Property Management SDN BHD (of which NH Chua is a Director and Shareholder) at an annual combined rental of \$256,000 per annum (2010: \$266,000). The total lease commitment at reporting date was \$753,000 (2010: \$1,018,000) and no amount was owing on leases at year end (2010: \$Nil).
- h)** Other payments made for commissions to related parties, of which key management personnel or close family members are directors or shareholders, total \$1,144,000 for the year (2010: \$1,047,000), of which \$70,000 (2010: \$102,000) was unpaid as at year end.
- i)** Other payments for short term employee benefits, paid to close family members of key management personnel, total \$128,000 (2010: \$132,000).

Terms and Conditions of Transactions with Directors and Key Management Personnel

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

There were no related party debts forgiven during the year.

24. Segmental Information

In this segmental analysis, selling via a Direct Selling channel is abbreviated as "DS".

Inter-Segment eliminations include intra-group sales, cost of sales, commissions, management services fees, and profit on stock still held at reporting date sold at intra-group transfer prices.

2011 Segment Analysis

Year to 30 June 2011	Segment									
	Malaysia DS	Taiwan DS	Other DS	Total DS	Retail Sales NIH (COL+)	Retail Sales Other	FCL Manufacturing	Head Office	Inter-Segment Elimination	Total Group
Revenue:										
External Revenue	22,667	34,022	6,038	62,727	91	7,992	4,814	153	-	75,777
Inter-Segment Revenues including Management Fees	-	-	-	-	28	348	14,152	21,784	(36,312)	-
Interest Revenue	137	11	2	150	-	-	-	2	-	152
Expenditure:										
Interest Expense	-	-	-	-	-	(1)	(1)	(714)	-	(716)
Impairment of Goodwill	-	-	-	-	-	-	-	(32)	-	(32)
Impairment of Intangibles	-	-	-	-	(197)	-	-	-	-	(197)
Impairment of Plant	-	-	-	-	(600)	-	-	-	-	(600)
Amortisation	-	-	-	-	(81)	(8)	-	(57)	-	(146)
Depreciation	(170)	(61)	(41)	(272)	(279)	(9)	(433)	(312)	-	(1,305)
Share of loss of Associate	-	-	-	-	-	-	-	(753)	-	(753)
Commissions on Sales	(8,828)	(17,693)	(2,334)	(28,855)	-	(29)	-	-	318	(28,566)
Other Expenditure	(7,982)	(12,268)	(5,263)	(25,513)	(1,164)	(7,255)	(17,376)	(23,461)	35,849	(38,920)
Net Profit Before Tax	5,824	4,011	(1,598)	8,237	(2,202)	1,038	1,156	(3,390)	(145)	4,694
Income Tax Expense	(1,456)	(1,203)	479	(2,180)	661	(311)	(347)	(178)	-	(2,355)
Net Profit After Tax	4,368	2,808	(1,119)	6,057	(1,541)	727	809	(3,568)	(145)	2,339
Investments in Associates and Joint Ventures (equity method)	-	-	-	-	-	-	-	2,469	-	2,469
Additions to Non-current Assets	68	139	73	280	99	6	1,671	6,510	-	8,566
Segment Assets	10,904	6,653	1,822	19,379	2,366	1,898	7,091	13,549	(849)	43,434
Segment Liabilities	(1,331)	(2,127)	(697)	(4,155)	(57)	(1,954)	(2,609)	(11,704)	-	(20,479)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

2010 Segment Analysis

Year to 30 June 2010	Segment									
	Malaysia DS	Taiwan DS	Other DS	Total DS	Retail Sales NIH (COL+)	Retail Sales Other	FCL Manufacturing	Head Office	Inter-Segment Elimination	Total Group
Revenue:										
External Revenue	35,467	32,514	6,351	74,332	267	2,140	4,243	309	-	81,291
Inter-Segment Revenues including Management Fees	17	-	-	17	47	42	10,681	19,303	(30,090)	-
Interest Revenue	151	3	5	159	-	-	-	30	-	189
Expenditure:										
Interest Expense	-	-	(1)	(1)	-	-	-	(271)	-	(272)
Impairment of Goodwill	-	-	-	-	-	-	-	(118)	-	(118)
Amortisation	-	-	-	-	(59)	(16)	-	(18)	-	(93)
Depreciation	(160)	(56)	(30)	(246)	(313)	(17)	(115)	(178)	-	(869)
Commissions on Sales	(14,312)	(16,868)	(2,338)	(33,518)	-	-	-	(4)	737	(32,785)
Other Expenditure	(10,790)	(11,451)	(4,290)	(26,531)	(2,611)	(1,884)	(12,901)	(21,148)	28,849	(36,226)
Net Profit Before Tax	10,373	4,142	(303)	14,212	(2,669)	265	1,908	2,095	(504)	11,117
Income Tax Expense	(2,593)	(1,243)	91	(3,745)	801	(80)	(572)	(171)	-	(3,767)
Net Profit After Tax	7,780	2,899	(212)	10,467	(1,868)	185	1,336	2,266	(504)	7,350
Investments in Associates and Joint Ventures (equity method)	-	-	-	-	-	-	-	-	-	-
Additions to Non-current Assets	91	1	74	166	631	(56)	299	1,032	-	2,072
Segment Assets	15,538	7,126	2,123	24,787	2,877	1,845	2,953	4,152	(705)	35,909
Segment Liabilities	(2,475)	(2,832)	(177)	(5,484)	(20)	(2,045)	(809)	(2,330)	-	(10,688)

Entity-wide Geographic Information

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

	Group	
	2011 \$'000	2010 \$'000
External Revenues attributable to New Zealand	6,896	6,354
External Revenues attributable to Foreign Countries	68,881	74,937
	75,777	81,291
Non-Current Assets located in New Zealand	15,378	4,605
Non-Current Assets located in Foreign Countries	1,036	2,802
	16,414	7,407

Major Customers

The Group has no major external customers, as the majority of its customer base is Marketing Plan Members. All revenue from external customers relates to the sale of nutritional supplements.

25. Going Concern

The Board has considered forecast information relating to the operational profitability and cash flow requirements. The Board is satisfied there are sufficient cash flows generated from the operating activities to meet the investing and financing cash flow requirements of the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

26. Commitments

Operating Lease Commitments - Group as lessee

Operating lease commitments are commitments in respect of non cancellable operating leases and property leases contracted for at the reporting date but not recognised as liabilities payable.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Operating Lease Commitments				
Non-cancellable Operating Lease				
No later than 1 Year	2,126	1,543	-	-
Between 1 and 5 Years	2,898	2,311	-	-
	5,024	3,854	-	-

During the year ended 30 June 2011 \$1,927,000 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2010: \$1,936,000).

Operating Lease Commitments Receivable - Group as lessor

The Group has sub-leased surplus office and retail space. These non cancellable leases are contracted for at the reporting date but not recognised as rental receivables.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Operating Lease Commitments				
Receivable Non-cancellable Operating Lease				
No later than 1 Year	2	-	-	-
Between 1 and 5 Years	-	-	-	-
	2	-	-	-

During the year ended 30 June 2011 \$36,000 was recognised as rental income in the Statement of Comprehensive Income in respect of sub-leases (2010: \$10,000).

Finance Lease Commitments

The Group has a finance lease for items of plant and machinery with a carrying amount of \$56,865 (2010: \$Nil). The lease contract expires within one to four years.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance Lease Commitments				
No later than 1 Year	17	-	-	-
Between 1 and 5 Years	49	-	-	-
Total Minimum Lease Payments	66	-	-	-
Less Amounts Representing Finance Charges	13	-	-	-
Present Value of Minimum Lease Payments	53	-	-	-

Capital Commitments

The Group had contractual obligations to purchase plant and equipment at 30 June 2011 of \$2,061,000 (2010: \$1,065,000), principally relating to the completion of the new Paerata spray drier plant (2010: capital commitments related to improvements to the existing manufacturing facility at Avondale).

27. Contingent Liabilities

Omegatrend International Pty Ltd Claim

The Group has received a claim from the Liquidators of Omegatrend International Pty Ltd in relation to the liquidation of that company. The Board does not believe that the claim is with foundation and accordingly no provision for the claim has been made in these financial statements.

Protocol Ltd Claim

The Group has received a claim from Protocol Ltd in relation to the termination of the Management Services Agreement for the Col+ colostrum shot business. The Board does not believe that the claim is with foundation and accordingly no provision for the claim has been made in these financial statements.

Taiwan Branch Customs Dispute

In the current year the Group has recorded an expense of \$245,250 (2010: \$Nil) with respect to the claim received from the Taiwanese Customs Department against the Group's Taiwanese Branch for additional customs duty. The expense has been recorded on the basis of a preliminary settlement proposed for the dispute by the Taiwanese Customs Department which has yet to be ratified by the legal counsel of the Taiwan Customs Department. Should the proposed settlement not be ratified the amount claimed by the Taiwanese Customs Department for additional customs duty could be increased. It is estimated that this potential additional liability will not exceed \$250,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

28. Events Subsequent to Balance Date

On 11 August 2011 all the banking facilities with HSBC were repaid and replaced by new facilities provided by the ANZ National Bank Ltd. The facilities with ANZ National Bank Ltd provide for a \$2,000,000 overdraft facility, a \$150,000 commercial credit card facility and a term loan facility of \$3,870,000.

On 25 August 2011 the Group commenced the process of transferring the shares in the Malaysian subsidiary company, NZ New Image SDN BHD that are not directly held by New Image International Limited to New Image International Limited. This process is expected to be completed in early October 2011. On 15 September 2011, in order to effect the share transfer the paid up share capital in the Malaysian subsidiary was increased by RM2,686,000 (NZD1,050,000) to RM5,000,000 (NZD1,955,000) to meet the minimum capital requirements for a 100% overseas owned direct seller under the Malaysian Ministry of Domestic Trade, Co-operatives and Consumerism guidelines.

There were no other events subsequent to balance date (2010: Nil).

29. Net Cash Flow from Operating Activities

The following is a reconciliation between the surplus after taxation shown in the Statement of Comprehensive Income and the net cash flow from operating activities.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net Profit after Tax for the Year	2,339	7,350	-	-
Add/(Less) Non-cash Items:				
Depreciation	1,305	869	-	-
Amortisation of Intangibles	146	93	-	-
Impairment of Intangibles	197	-	-	-
Impairment of Goodwill	32	118	-	-
Impairment of Plant	600	-	-	-
Current Year Cost of Earn-out	50	-	-	-
Share of Associates Losses	753	-	-	-
Movement in Share Based Payments	162	39	-	-
Loss on Disposal of Property, Plant and Equipment	2	25	-	-
Foreign Exchange Translation	82	(354)	-	-
Add/(Less) Movement in Working Capital:				
(Increase)/Decrease in Deferred Tax	(249)	(166)	-	-
(Increase)/Decrease in Inventories	(2,781)	(614)	-	-
(Increase)/Decrease in Trade and Other Receivables	(519)	(759)	-	-
Increase/(Decrease) in Trade and Other Payables	4,077	(3,298)	-	-
Increase/(Decrease) in Provision for Acquisition Earn-out	(1,150)	-	-	-
Increase/(Decrease) in Taxation Provisions	(1,279)	(1,978)	-	-
Net Cash From Operating Activities	3,767	1,325	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

30. Directors and Key Management Personnel Disclosures

A. DIRECTORS

The following were executive and non executive directors during the financial year.

Executive Directors

- Graeme Clegg (Founding Chairman)
- NH Chua

Non - Executive Directors

- Maxwell Parkin - Independent
- Nigel Sinclair - Independent (Independent from 26 April 2011)
- Alan Stewart - Deputy Chairman (ceased being an Independent on 26 April 2011)

B. KEY MANAGEMENT PERSONNEL

The following persons were the ten key management personnel with the greatest authority for the strategic direction and management of the Group during the year.

- Graeme Clegg - Chairman, Executive Director
- NH Chua - Vice President Asia Pacific, Executive Director
- Maxwell Parkin - Non-Executive Director
- Nigel Sinclair - Non-Executive Director
- Alan Stewart - Deputy Chairman, Non-Executive Director
- Simon Beuth - Chief Financial Officer
- Peter Lehrke - General Manager - Research & Development
- Guy Wills - General Manager - Health Sciences
- Brent Wollaston - General Manager - Manufacturing & Supply Chain
- Simon Yarrow - General Manager - Global Sales & Marketing

The total remuneration for the year was:

	2011	2010
	\$'000	\$'000
Short Term Employee Benefit	2,308	2,381
Share Based Payments	130	92
Defined Contribution Superannuation	34	16
	2,472	2,489

C. DETAILS OF DIRECTORS REMUNERATION AND OTHER BENEFITS

	2011	2010
	\$'000	\$'000
Graeme Clegg (Chairman)	763	752
NH Chua	582	709
Maxwell Parkin	73	63
Alan Stewart	81	66
Nigel Sinclair	72	55
Dr Raymond Thomson ¹	-	13
	1,571	1,658

¹ Dr Raymond Thomson resigned as a Director on 21 October 2009.

The remuneration and other benefits above for Graeme Clegg was received as an Executive of the Group.

NH Chua was appointed a director on 24 March 2010. The remuneration and other benefits above for NH Chua was received as an Executive of the Group.

In addition \$19,000 (2010: \$20,000) was paid to directors of overseas subsidiaries in Malaysia and Singapore.

31. Share Based Payment Scheme

The Company established a scheme for the purposes of enabling certain senior executives and Directors to acquire shares issued by the Company. A Trust, New Image Group Limited Partly Paid Share Scheme, has been established to implement the scheme. The Trust Deed governs the operation of the scheme by the Trustees. Shares have been acquired by the Trust from the Company. Participation by employees in the scheme is at the Company's discretion. The purpose of the scheme is to align the participant's interest with those of the shareholders by increasing the value of the Company's shares. The Company has issued shares to the Trustee to be held by the Trustee on behalf of the individual participants in the scheme.

The issue price for the shares was the volume weighted average price of the Company's share price for the 20 trading days prior to the date of issue. Shares will vest to the participants 3 years from grant date, and have an exercise period of 1 year from vesting date. There is also a 'share price hurdle' which must be met being volume weighted average price for a share over the 20 trading days prior to the 3rd anniversary of the issue date and must exceed the issue price by 45%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

The fair value of the equity settled share scheme is estimated as at the date of grant using a Black-Scholes Model taking into account the terms and conditions upon which the options were granted. The model takes into account the historic dividends, share price volatilities and co-variances of the Company to produce a predicted distribution of relative share performance. This is applied to the grant of shares to give an expected value, which is recognised over the vesting period. The weighted average fair value of the options granted was \$0.04 per share for the first tranche of shares issued, \$0.16 per share for the second tranche and \$0.05 per share for the third tranche.

Total expenses arising from the equity settled employee share based payment total \$162,000 (2010: \$103,000).

On 19 June 2008, the Company issued to Protocol Limited 3.2 million options to purchase ordinary shares in the Company at an exercise price of 17 cents per share. The exercise of these options is based on certain performance criteria being met pursuant to an agreement between the Company and Protocol Limited in relation to the manufacture and sale of colostrum shots associated with the joint venture company Primary Nutrition Limited. The 30 June 2011 fair value of the equity settled options is estimated as at the date of grant using a Black-Scholes Model taking into account the terms and conditions upon which the options were granted. The model takes into account the historic dividends, share price volatilities and co-variances of the Company to produce a predicted distribution of relative share performance. This is applied to the grant of options to give an expected value, which is recognised over the vesting period. The weighted average fair value of the options granted was \$0.05 per option

During the year ended 30 June 2010 the Company terminated the Management Services Agreement with Protocol Limited, however the options granted were not forfeited as a result of this termination. The Company has not assigned any value to these options as it does not expect the performance criteria to be met and therefore the options are unlikely to be exercised. Expenses arising from the equity settled share based payments for 2011 are therefore \$Nil. In 2010 the prior year expense arising from the equity settled share based payment was reversed. (2010:\$64,000 income)

The following table lists the inputs to the models used for 30 June :

	Employee Share Scheme 2011/2010 Tranche 1	Employee Share Scheme 2011/2010 Tranche 2	Employee Share Scheme 2011 Tranche 3
Dividend Yield (%)	2.94	4.90	8.87
Expected Volatility (%)	50.00	50.00	50.00
Risk-free Interest Rate (%)	5.48	5.51	5.49
Expected Life (Years)	4.00	4.00	4.00
Exercise Price (\$)	0.19	0.97	0.41
Weighted Average Share Price at Measurement Date (\$)	0.13	0.67	0.28
Weighted Average Remaining Life (Years) as at 30 June 2011	3.93	3.42	3.00
Model Used	Black-Scholes	Black-Scholes	Black-Scholes

The expected volatility was determined using an historical sample of month end Company share prices. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.


	Options No. of Options	WAEP	Employee Share Scheme No. of Options	WAEP
Balance 1 July 2010	-	-	7,095,000	0.29
Granted/Reinstated	3,200,000	0.17	2,000,000	0.28
Forfeited	-	-	(365,000)	0.67
Exercised	-	-	-	-
Balance 30 June 2011	3,200,000	0.17	8,730,000	0.27

	Options No. of Options	WAEP	Employee Share Scheme No. of Options	WAEP
Balance 1 July 2009	3,200,000	0.17	6,010,000	0.13
Granted	-	-	2,135,000	0.67
Forfeited	(3,200,000)	0.17	(1,050,000)	0.13
Exercised	-	-	-	-
Balance 30 June 2010	-	-	7,095,000	0.29

The Weighted Average Exercise Price (WAEP) is the price at which each tranche of the options and share scheme options are exercisable, multiplied by the number of options and share scheme options remaining to achieve a total weighted average exercise price.

No options are exercisable at year end.

AUDIT REPORT



Independent Auditor's Report
To the Shareholders of New Image Group Limited
Report on the Financial Statements

We have audited the financial statements of New Image Group Limited and its subsidiaries on pages 20 to 85, which comprise the statement of financial position of New Image Group Limited and the group as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interest in New Image Group Limited or any of its subsidiaries.

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Opinion
In our opinion, the financial statements on pages 20 to 85:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of New Image Group Limited and the group as at 30 June 2011 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements
In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by New Image Group Limited as far as appears from our examination of those records.

Ernst & Young
19 September 2011
Auckland

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

Principal Activity

The principal activity of the Company is that of manufacturing and distribution of quality health products.

Results for the Year

The Group returned a net profit of \$2,433,000.

Dividend

An interim dividend of \$2,422,574 (1 cent per share) was paid during the year and no final dividend has been declared.

Audit Fees

Audit fees paid by the Company to the Group auditor were \$140,000. There were no other fees for services paid to the Group auditor.

Donations

Donations paid by the Company during the year were \$131,000.

Directors

The following were executive and non executive independent directors during the financial year.

Executive Directors

- Graeme Clegg (Founding Chairman)
- NH Chua

Non - Executive Directors

- Maxwell Parkin - Independent
- Nigel Sinclair- (Independent from 26 April 2011)
- Alan Stewart - Deputy Chairman (ceased being an Independent on 26 April 2011)

In accordance with the constitution, all Directors will continue in office until the 2011 Annual Meeting, when two directors will retire by rotation.

Interests Register

Director's certificates to cover entries in the Interests Register in respect of remuneration, insurance, indemnities, dealing in the Company's shares and other interests have been disclosed as required by the Companies Act 1993.

During the year the Company undertook transactions with Directors as set out in Note 23 to the Financial Statements "Related Parties".

STATUTORY INFORMATION (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Directors have disclosed the following particular interests held by them:

■ Graeme Lindsay Clegg

Director - Exotic Corp Limited
Director - Dreamweaver Charters Limited
Director - Fire Power Asia Pacific Limited
Director - New Zealand Ostrich Corp Limited
Director - Institute of Colostrum Research Limited
Director - Immuno Nutrition Science Limited
Director - Salvage Corporation Limited
Director - Dolphin Planet Limited
Director - New Image Travel and Lifestyle Limited
Director - Caldera Health Limited
Director - New Image Trustee Limited
Director - Primary Nutrition Limited
Director - New Image International Limited
Director - New Image Share Scheme Trustee Limited
Director - New Image Natural Health Limited
Director - Food Contractors Limited

■ NH Chua

Director - Golden Dairy (HK) Limited
Director - Wells Property Management SDN BHD

■ Maxwell Frederick Parkin

Director - Parkin Technologies Limited
Director - Karapiro Properties Limited
Director - Biofiltro Limited
Director - Biofiltro Farm Limited
Director - Combined Technologies Limited

Director - BioActive Technologies International Limited
Director - Symbiotics (N.Z.) Limited
Director - Vitenz International Limited
Director - BioActive Technologies Asia Pacific Limited
Director - New Image International (Australia) Pty Limited
Director - New Image Health Sciences (SA) Limited
Director - NZ New Image SDN BHD
Director - New Image International Far East (Philippines), Inc.
Director - New Image International Singapore (Private) Limited
Director - New Zealand New Image (HK) Limited
Director - New Zealand New Image Limited
Director - New Image International (Cambodia) Co. Limited
Director - New Image International (Thailand) Co. Limited
Director - Living Nature Natural Products Limited
Director - Pt. New Image Health Sciences
Trustee - Clegg Family Trust

Director - New Zealand New Image (HK) Limited

Director - Waiheke Aqua Limited
Director - Taura Natural Ingredients Holdings Pty Limited
Director - Miraka Limited
Director - Hubbard Foods Limited
Director - Primary Nutrition Limited

■ Nigel Richard Sinclair

Director - Nigel Sinclair Associates Pty Limited
Director - The Direct Selling Association of Australia Inc.

■ Alan Grant Stewart

Director - Waico Group Limited
Director - Stewart Consulting Limited
Director - Hayman Master Industries Limited
Director - Meadowfresh Foods Limited
Director - Sachpac Limited
Director - Mahunga Development Limited
Director - Old Fashioned Foods Limited
Director - Old Fashioned Foods Pty Limited
Director - Old Fashioned Foods UK Limited
Director - Hansells Food Group Limited
Director - Hansells (NZ) Limited
Director - Hansells Holdings Limited
Director - PLC (NZ) Limited
Director - Future Foods Limited
Director - OFF Employee Share Trust Limited
Director - Wairarapa Plumbers Limited
Director - No Confectionery Limited
Director - CQ Hotels Wellington Limited
Director - Denarau Villas Limited
Director - New Image International Limited

Director - Kora Organics By Miranda Kerr Pty Limited
Director - New Image International (Australia) Pty Limited

Director - New Image Share Scheme Trustee Limited
Director - New Image Natural Health Limited
Director - Food Contractors Limited
Director - BioActive Technologies International Limited
Director - Symbiotics (NZ) Limited
Director - Vitenz International Limited
Director - BioActive Technologies Asia Pacific Limited
Director - Living Nature Natural Products Limited
Director - LN Contracting Limited
Director - Living Nature Europe Limited
Director - Living Nature Australasia Limited
Director - Living Nature Limited
Director - Living Nature North America Limited
Director - Nature's Infinite Balance Limited
Director - New Image International (Australia) Pty Limited
Director - New Image International Far East (Philippines), Inc.
Director - New Image Health Sciences (SA) Limited
Director - New Image International (Cambodia) Co. Limited
Director - Pt. New Image Health Sciences
Director - New Image International (Thailand) Co. Limited
Trustee - Clegg Family Trust

STATUTORY INFORMATION (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

■ Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has received the following disclosures from Directors of acquisitions or dispositions of their relevant interest in the Company between 30 June 2010 and 30 June 2011:

Date of Transaction	Full Name of Director	Number of Shares	Description of Transaction	Consideration (\$NZD)
22/11/10	Graeme Lindsay Clegg	365,000	Issue - Partly Paid Share Scheme	3,650
28/03/11		300,000	On Market Purchase	68,942
6/05/11		74,725	On Market Purchase	17,787
9/05/11		38,000	On Market Purchase	8,710
14/05/11		90,000	On Market Purchase	22,500
18/05/11		9,795	On Market Purchase	2,449
24/05/11		15,205	On Market Purchase	3,801
26/05/11		859	On Market Purchase	223
22/11/10	NH Chua	365,000	Issue - Partly Paid Share Scheme	3,650
22/11/10	Maxwell Frederick Parkin	85,000	Issue - Partly Paid Share Scheme	850
22/11/10	Nigel Richard Sinclair	85,000	Issue - Partly Paid Share Scheme	850
22/11/10	Alan Grant Stewart	85,000	Issue - Partly Paid Share Scheme	850

■ Directors' Shareholding

Directors or entities associated with Directors had the following shareholdings as at 30 June 2011:

	Ordinary Shares	Partly Paid Shares
Graeme Lindsay Clegg	134,486,019	1,830,000
NH Chua	11,825,000	1,830,000
Maxwell Frederick Parkin	70,000	420,000
Nigel Richard Sinclair	110,000	170,000
Alan Grant Stewart	-	420,000

■ Directors Indemnity and Insurance

During the year the Company paid premiums on contracts insuring all Directors in respect of liability and costs permitted to be insured against in accordance with the Company's Constitution.

■ Use of Company Information

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

■ Employees' Remuneration

During the year the following number of employees received remuneration of at least \$100,000:

Group	Number of Employees
\$100,000 - \$109,999	3
\$110,000 - \$119,999	1
\$120,000 - \$129,999	2
\$130,000 - \$139,999	3
\$150,000 - \$159,999	1
\$160,000 - \$169,999	1
\$220,000 - \$229,999	1
\$240,000 - \$249,999	1
\$520,000 - \$529,999	1
\$580,000 - \$589,999	1
\$760,000 - \$769,999	1

STATUTORY INFORMATION (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

■ Analysis of Shareholding at 1 September 2011

	Shares		Shareholders	
	Number	%	Number	%
Up to 1,000 Shares	173,094	0.1%	328	25.3%
1,001 - 5,000 Shares	1,039,978	0.4%	418	32.3%
5,001 - 10,000 Shares	1,160,669	0.5%	152	11.7%
10,001 - 100,000 Shares	9,928,580	4.2%	319	24.6%
100,001 Shares or more	222,622,263	94.8%	79	6.1%
	234,924,584	100.0%	1,296	100.0%

■ Shareholder Analysis

Top 20 Shareholders as at 1 September 2011:

Shareholder Analysis:

Exotic Corp Limited	60,264,864	25.65%
Graeme Lindsay Clegg	59,265,513	25.23%
Huljich Wealth Management (New Zealand) Limited	23,612,780	10.05%
New Image Trustee Limited	14,955,642	6.37%
New Zealand Central Securities Depository Limited	12,405,624	5.28%
Ng Peng Hyang	7,800,000	3.32%
Sanny Darmawan Sutjio Prawiro	7,522,850	3.20%
Chew Chye Tay	6,193,910	2.64%
NH Chua	4,025,000	1.71%
Wen-Chon Sun	2,574,126	1.10%
Walter John Rigg & June Frances Rigg (W J & J F Rigg Family Trust)	2,039,643	0.87%
Chua Jin-Fong	2,000,000	0.85%
Rotorua trust Perpetual Capital Fund Limited	1,516,017	0.65%
Tsun Yu Huang	1,452,000	0.62%
Kun Ping Tang	833,333	0.36%
FNZ Custodians Limited	757,337	0.32%
Leslie Allan Adrian & Diane Beverley Adrian	707,436	0.30%
Xuqi Wu & Yaohong Shen	587,833	0.25%
Murray William Crawford	563,285	0.24%
Chin Wei Lee	540,570	0.23%

■ Substantial Security Holders

According to notices given to the Company under the Securities Markets Act 1988, the following persons were substantial security holders of the Company as at 30 June 2011:

	Number	%
Graeme Lindsay Clegg	134,486,019	57.2%
Huljich Wealth Management (New Zealand) Limited	23,612,780	10.1%
NH Chua	11,825,000	5.0%

The total number of issued voting securities of the Company was 234,924,584 as at 30 June 2011.

■ Corporate Governance

The Board and Executive of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The best practice principles which the Company considers in its governance approach are the New Zealand Exchange (NZX) Listing Rules and Corporate Governance Best Practice Code and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines.

The Board has adopted the following principles to ensure that the New Image Group is effectively managed.

Responsibilities of the Board

The Board of Directors is responsible to shareholders for the overall corporate governance of the New Image Group. It does this by:

- Active management in reviewing and determining strategic direction and policy;
- Approval of appropriate Company strategies and transactions involving acquisition or divestment or other transactions of a material nature;
- Review and approval of the Company's budgets and business plans and monitoring of progress;
- Review of key risk identification processes and systems and monitoring the management of risks;
- Approval and review of the overall policy framework within which the business of the Company is conducted including remuneration, financial reporting, compliance, treasury management, insider trading, market disclosure and travel;
- Appointing, monitoring and rewarding the Executive; and
- Reporting to shareholders.

The Board delegates management of the day-to-day affairs of the Company to its Executive to deliver the strategic direction and goals determined by the Board.

STATUTORY INFORMATION (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2011

Composition of the Board

The Company's Constitution states that there should be no fewer than three Directors, the majority of whom should be non-executive Directors. The non-executive Directors that meet the independence criteria are Messrs Maxwell Frederick Parkin and Nigel Richard Sinclair. The Board's Charter sets out the governance principles, authority, responsibilities, membership and operation of the Board of Directors.

Code of Ethics

The Company expects its employees, contractors, members and Directors to maintain high ethical standards. The Company has adopted policies to ensure it maintains high standards of performance and behaviour when dealing with the Company's members, customers, suppliers, shareholders and staff. Specific policies are in place relating to the environment, confidentiality of Company information, complaints from stakeholders and trading of the Company's securities.

Business Risks

The Company has in place a risk management plan to identify and address areas of significant risk to the business. The Company maintains insurance policies that it considers adequate to meet the insurable risks. The Executive are required to identify and report on major business risks and develop strategies to mitigate these risks in consultation with the Board.

Reporting and Continuous Disclosure

The Company is committed to ensuring integrity and timeliness of its financial reporting and providing information to its shareholders and the market which it considers reflects the present and future prospects of the Company. The Company has policies in place to ensure it complies with the Continuous Disclosure obligations of the NZX on an on-going basis.

Investor Relations

The Company communicates directly with shareholders through its six monthly reports. Major shareholders are visited from time to time and open discussion is encouraged at the Annual General Meeting.

Share Trading

On a continuing basis, the Board considers whether any matters under consideration are likely to materially influence the present or future market expectations of the Company, including its share value. It will then determine whether or not there continues to be an "open window" for share trading by Directors or Officers of the Company. The policy is for a specific declaration in respect of this matter to be made as appropriate.

External Audit Independence

To ensure the independence of the Company's external auditor is maintained, the Board has agreed the external auditor should not provide any services not permitted under the International Federation of Accountants regulations. This is monitored by the Audit and Risk Management Committee.

Committees

The Board operates three committees to assist in the execution of the Board's duties. Each committee has a specific charter. Committee members are appointed from members of the Board. All matters determined by the committees are submitted to the full Board as recommendations for Board decision. The Chairman is an ex-officio member of all Board committees.

Governance and Nomination Committee

The Governance and Nomination Committee is responsible for the selection and performance of the Directors and Executive and for developing a set of corporate governance principles applicable to the Company. This committee is chaired by Mr Sinclair. Messrs Parkin and Stewart are members of the committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for ensuring the Board discharges its responsibilities relative to the financial reporting and regulatory conformance. In particular:

- overseeing and liaising with the external auditors;
- overseeing compliance with statutory responsibilities relating to financial and other requirements;
- monitoring of corporate risk assessment and the internal controls instituted.

The committee is chaired by Mr Stewart. Messrs Parkin and Sinclair are members of the committee.

Remuneration Committee

The Remuneration Committee is responsible for ensuring the Board discharges its responsibilities relative to the remuneration of the Company's employees and Directors. In particular:

- setting policies for the remuneration of the Group's employees having regards to the Group's market position, the financial health of the Group and the general economic climate;
- making recommendations to the Board on the remuneration of the Chief Executive;
- reviewing and approving the Chief Executive's recommendations on the remuneration of senior management;
- making recommendations to the Board on the remuneration of non-executive directors.

The committee is chaired by Mr Parkin. Messrs Sinclair and Stewart are members of the committee.

Annual Review by the Board

The Board reviews its performance at least annually. In addition, the Board regularly reviews the composition of the Board to ensure it has an appropriate mix of expertise and experience. In accordance with the Company's Constitution, at each annual meeting, one third of the non-executive directors retire and are eligible for re-election.

For full details of the Company's governance charters and policies, please refer to the Investor Relations section on the Company website: www.newimagegroup.co.nz

COMPANY DIRECTORY

Directors

- Graeme Lindsay Clegg
(Founding Chairman)
- NH Chua
- Maxwell Frederick Parkin
- Nigel Richard Sinclair
- Alan Grant Stewart

Registered office

19 Mahunga Drive,
Mangere Bridge, Auckland

Bankers

ANZ National Bank Limited,
AucklandO
HongKong and Shanghai
Banking Corporation Limited

Solicitors

Buddle Findlay, Auckland
Simpson Grierson, Auckland

Auditors

Ernst & Young
2 Takutai Square, Auckland

Share Registry

Link Market Services Limited
PO Box 91976, Auckland

NEW ZEALAND

New Image Group Head Office
New Image International Limited
19 Mahunga Drive, Mangere Bridge, 2022
PO Box 58 460, Manukau
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Phone: +64 9 622 2388 Fax: +64 9 622 9082
Email: nzsupport@newimageasia.com
Website: newimageasia.com

New Image Natural Health Limited
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Phone: +64 9 582 0860 Fax: +64 9 579 8130

Food Contractors Limited
11 Saunders Place, Avondale,
PO Box 58 460, Manukau
Auckland 2163, New Zealand
Phone: +64 9 622 4064 Fax: +64 9 828 0686

Living Nature Natural Products Limited
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Phone: +64 9 407 7895 Fax: +64 9 407 4056

AUSTRALIA

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Email: ausupport@newimageasia.com
Website: newimageasia.com

HONG KONG

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Website: newimageasia.com

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Website: newimageasia.com

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Email: safsupport@newimageasia.com
Website: newimageasia.com

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