Simmons
CORPORATE FINANCE

New Image Group Limited

Independent Adviser's Report

In Respect of the Full Takeover Offer by New Image Trustee Limited

February 2013

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the NIT Offer considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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Index

Appendix

1. Introduction

1.1 New Image Group Limited

New Image Group Limited (**New Image** or the **Company**) develops, manufactures and distributes health and nutritional products. Its main products are based on bovine colostrum and include weight loss packages, colostrum drinks, infant formula, skin care products and dairy products. The Company distributes its products throughout Asia, New Zealand, Australia and South Africa through its direct selling channel (the **Direct Selling business**) and through selected retail outlets.

New Image is listed on the main board equity security market (**NZSX**) operated by NZX Limited (**NZX**) with a market capitalisation of $63 million as at 11 February 2013 and unaudited total equity of $24 million as at 31 December 2012.

A profile of New Image is set out in section 3.

1.2 NIT Offer

New Image Trustee Limited (**NIT**) sent New Image on 17 January 2013 a notice of intention to make a full takeover offer for all of the Company's shares that it does not already hold or control.

NIT sent its Offer Document to New Image's shareholders on 4 February 2013.

Number of Shares Sought

The NIT Offer is for all of the ordinary shares in New Image that NIT currently does not already hold or control.

Consideration

NIT is offering cash of $0.26 for each New Image ordinary share.

Conditions

The NIT Offer is conditional on NIT receiving sufficient acceptances such that NIT holds or controls 90.00% or more of the voting rights in New Image (the **Minimum Acceptance Condition**).

The NIT Offer is also subject to the satisfaction of the following conditions:

- no liquidator, receiver, receiver and manager, administrator, statutory manager or similar official is appointed
- no event or circumstance occurs on or after the Notice Date (17 January 2013) which has a material adverse effect on New Image's financial position, trading operations, assets or liabilities or prospects
- no action, claim, litigation or proceedings is notified, threatened or commenced against New Image totalling in excess of $0.25 million
- no temporary restraining order, injunction or other order is issued which makes the implementation of the NIT Offer void, unenforceable or illegal.

Any of the conditions, including the Minimum Acceptance Condition, may be waived by NIT at its discretion. However, the NIT Offer must always be conditional on NIT receiving sufficient acceptances such that NIT holds or controls more than 50% of the voting rights in New Image (as required under Rule 23(1) of the Takeovers Code (the **Code**)).

Change in Circumstances

The NIT Offer contains provisions that if there is a change in circumstances on or after 17 January 2013 that impacts on New Image's shares and the offer is unconditional or becomes unconditional, then an adjustment will be made so as to ensure that the NIT Offer results in the same financial outcome for NIT as if the change in circumstance did not occur. The changes in circumstance relate to New Image:

- declaring, making or paying any dividend or any other distribution
- making any issue of shares, convertible securities or other securities of any nature by way of bonus issue
- consolidating or subdividing its shares
- making any issue of equity securities to any person other than by way of bonus issue.

Offer Dates

The offer is open from 1 February 2013 and closes at 5pm on 2 April 2013 (unless extended by NIT in accordance with the provisions of the Code).

Clegg Associates Shareholding

NIT is wholly owned by New Image's founding chairman Graeme Clegg. Mr Clegg owns or controls 152,044,748 of the Company's shares, representing 64.72% of New Image's total shares on issue:

- 76,824,242 shares are held in his name (32.70%)
- 60,264,864 shares are held by Exotic-Corp Limited (**Exotic**), a company wholly owned by Mr Clegg (25.65%)
- 14,955,642 shares are held by NIT (6.37%).

We refer to Mr Clegg, Exotic and NIT collectively as the **Clegg Associates**.

Two other shareholders of the Company are associated with Mr Clegg:

- Alan Stewart is the Company's deputy chairman. Mr Stewart holds 1,100,000 shares (0.47%)
- HWM (NZ) Holdings Limited (**HWM**) is currently the 4th largest shareholder in the Company (behind Mr Clegg, Exotic and NIT), holding 11,866,551 shares (5.05%). HWM was formerly called Huljich Wealth Management (New Zealand) Limited. It changed its name on 10 August 2011.

Collectively, the Clegg Associates, Mr Stewart and HWM hold 165,011,299 shares, representing 70.24% of New Image's total shares on issue.

Agreements to Accept the NIT Offer

Mr Clegg and Exotic

The Offer Documentation states that Mr Clegg and Exotic intend to accept the NIT Offer in respect of all their New Image shares.

Alan Stewart

Mr Stewart has stated that he will accept the NIT Offer in respect of his 1,100,000 New Image shares.

HWM (NZ) Holdings Limited

Mr Clegg and HWM entered into an Agreement for Sale and Purchase of Shares in New Image Group Limited dated 25 October 2012 whereby HWM agreed to sell 11,746,229 shares (5.00%) to Mr Clegg for $0.26 per share:

- 11,462,762 shares on 8 November 2012
- 283,467 shares on 20 December 2012.

Mr Clegg and HWM entered into another Agreement for Sale and Purchase of Shares in New Image Group Limited dated 25 October 2012, as varied by an agreement dated 5 November 2012 (together the **HWM Agreement**) whereby:

- HWM agreed to sell a further 11,746,229 shares (5.00%) to Mr Clegg for $0.26 per share:
  - 11,462,762 shares on 6 November 2013
  - 283,467 shares on 20 December 2013
- HWM agreed that if Mr Clegg or an associate makes a full cash takeover offer for 100% of the ordinary shares of New Image at a price of not less than $0.26 per share and with payment being due prior to 6 November 2013, then HWM will accept that offer in respect of the 11,746,229 shares that are the subject of the HWM Agreement if the offer becomes unconditional.

Accordingly, under the terms of the HWM Agreement, HWM is obliged to accept at least 11,746,229 shares (5.00%) into the NIT Offer once the offer becomes unconditional.

The Offer Documentation states that HWM has agreed to accept the NIT Offer in respect of 11,746,229 of its New Image shares.

Combined Acceptances

NIT is assured of receiving acceptances in respect of 149,935,335 shares (63.82%) under the NIT Offer, which will increase NIT's shareholding in the Company to 70.19%.

1.3 New Image Trustee Limited

NIT was incorporated on 12 October 2004. Mr Clegg owns all of NIT's shares and is the company's sole director.

NIT is an investment company. Its only investment is the shareholding in New Image. NIT acquired its shares in New Image on 29 November 2004, when the Company acquired New Image International Limited (**NIIL**) from Mr Clegg for $8.0 million.

1.4 Regulatory Requirements

New Image is a code company for the purposes of the Code.

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights (together with its associates) beyond 20% and
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(a) of the Code, enables a person to increase its control of voting rights beyond 20% by making a full offer for all of the shares of the target company.

Rule 21 of the Code requires the directors of a target company to obtain an Independent Adviser's Report on the merits of the offer. This Independent Adviser's Report is to accompany the Target Company Statement required to be sent to the target's shareholders pursuant to Rule 46 and Schedule 2 of the Code.

1.5 Purpose of the Report

The Company's independent directors, Max Parkin and Nigel Sinclair (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the NIT Offer in accordance with Rule 21 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 22 January 2013 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to assist the Company's shareholders in forming their own opinion on whether or not to accept the NIT Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the NIT Offer in relation to each shareholder. This report on the merits of the NIT Offer is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the NIT Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the *merits* of the NIT Offer.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the NIT Offer should focus on:

- the rationale for the NIT Offer
- the assessed value of New Image's shares and the value of the consideration to be received by shareholders
- the implications of the conditions attached to the offer
- the likelihood of alternative offers or alternative transactions
- the advantages and disadvantages for the shareholders of accepting the NIT Offer
- the implications for the shareholders of not accepting the NIT Offer.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Rationale for the NIT Offer

Mr Clegg has stated in the Offer Documentation that he is of the view that the increasing costs arising from changes to the regulatory regime applying to listed entities means that in the absence of a compelling reason to remain a listed company, it is better that New Image be privatised again for the following key reasons:

- the Company has no need for further capital
- it is too small
- it has too few shareholders (Mr Clegg states that only 80 shareholders collectively control almost 95% of the Company's shares and 2 of those shareholders (the Clegg Associates and HWM) control almost 70% of the Company)
- its shares trade too infrequently (which Mr Clegg considers results in the volatility of the Company's share price).

He also notes that New Image's multi-level marketing (**MLM**) business model attracts adverse media comment and its exposure to the Asian markets makes it difficult for investors to assess.

Mr Clegg states that depending on the final level of acceptances under the NIT Offer, he would explore with New Image a proposal to end its listing on the NZSX. Other than this change, Mr Clegg proposes no material changes to New Image's business activities. It will continue to focus on its current operations and opportunities to sell New Image's products throughout Asia and partner with other businesses in this respect.

We have discussed the rationale for the NIT Offer with Mr Clegg. He reiterated that the objective of the takeover offer is to privatise the Company as he believes the listing compliance costs outweigh the benefits of being listed. Mr Clegg is of the view that the investment community does not fully understand New Image's Direct Selling business model and this restricts the attractiveness of the Company to investors. Furthermore, he felt that the disclosure requirements for a listed company can be a disadvantage as competitors are provided with a high level of information regarding the Company's operations.

We consider the rationale for the NIT Offer to be sound. The Company does not have any immediate need to raise equity capital and its shares are thinly traded. The Company has low visibility in the investment community as it is not covered by any research analysts and there are no comparable companies listed on the NZSX. We note that the low market awareness is also a function of the Company providing limited information to its shareholders and the market as a whole as to its strategy and its financial performance on a regular basis. The benefits of being listed on the NZSX are currently limited for New Image and therefore Mr Clegg's desire to revert to wholly owning the Company appears to be logical.

We note that Mr Clegg is heavily involved in the Company's operations and he and his related parties have substantial financial dealings with the Company:

- he chairs the Company's board of directors and leads the executive team
- the Clegg Family Trust has provided a loan of up to $5 million to the Company, of which $2.5 million remained owing as at 31 December 2012
- in the 2012 financial year:
  - the Company rented premises from the Clegg Family Trust at a cost of $0.6 million
  - the Company paid $0.2 million of commissions to related parties of Mr Clegg
  - Mr Clegg received $0.4 million in remuneration and other benefits for his executive director role.

The acquisition of 100% of the Company's shares would enable the Clegg Associates to gain access to the Company's cash flows and its cash balances, (which stood at $15.4 million as at 31 December 2012), subject to any regulatory repatriation restrictions from overseas. NIT's outlay under a successful offer will amount to over $21.5 million (plus costs). We are not aware of how NIT is financing the NIT Offer. However, if the NIT Offer is successful, any repatriated cash could be used by NIT to retire a portion of any debt that was raised to finance the NIT Offer. Alternatively, the repatriated cash could be used to repay some or all of the loan provided to New Image by the Clegg Family Trust. The Offer Document signals that such an arrangement may occur. It states that following the closing of the NIT Offer, New Image may provide financial assistance to NIT in connection with a refinancing of debt incurred by NIT in connection with the offer.

The timing of the NIT Offer could be considered opportunistic in that it coincides with a significant upturn in the Company's financial performance. Notice of intention to make the NIT Offer was given on 17 January 2013. At that point in time, the market was aware of the terms of the HWM Agreement but the only announcements that the Company had made regarding its improved financial performance was a brief statement on 24 October 2012 when it announced its results for the 2012 financial year and the reiteration of this statement in Mr Clegg's chairman's address at the Company's annual meeting on 29 November 2012. We are of the view that shareholders were unlikely to fully comprehend the extent of the improvement in the Company's financial performance at the time that the NIT Offer was announced. However, since then, the Company has issued details regarding its financial performance for the first 6 months of the current financial year and further guidance on its expected earnings for the 2013 financial year.

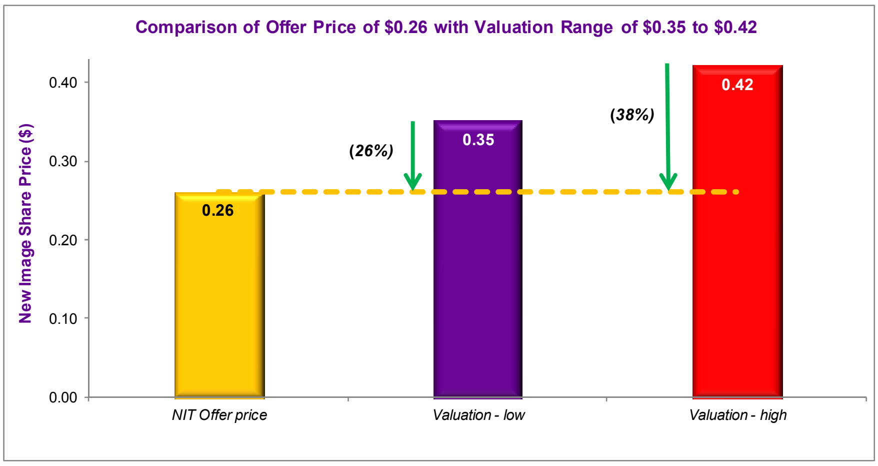
While Mr Clegg has stated that he does not propose material changes to New Image's business activities post the NIT Offer, we would not be surprised if the Company's future strategy involved positioning New Image to be listed at a later date on an overseas securities exchange – most likely one in Asia. The rationale for listing New Image on an Asian securities exchange is that the majority of the Company's revenues and earnings are generated in Asia, direct selling / MLM companies are much better understood by the Asian capital markets and the Company would have a number of local peers to enable comparison of performance.

2.3 Value of New Image's Shares Compared with the Offer Price of $0.26

In our opinion, the full underlying value of the New Image shares is in the range of $0.35 to $0.42 per share, as set out in section 4.

This value is for 100% of the ordinary shares based on the Company's current strategic and operational initiatives and therefore reflects the value of control. However, it excludes the value of any synergies that NIT may specifically derive from acquiring full control of New Image.

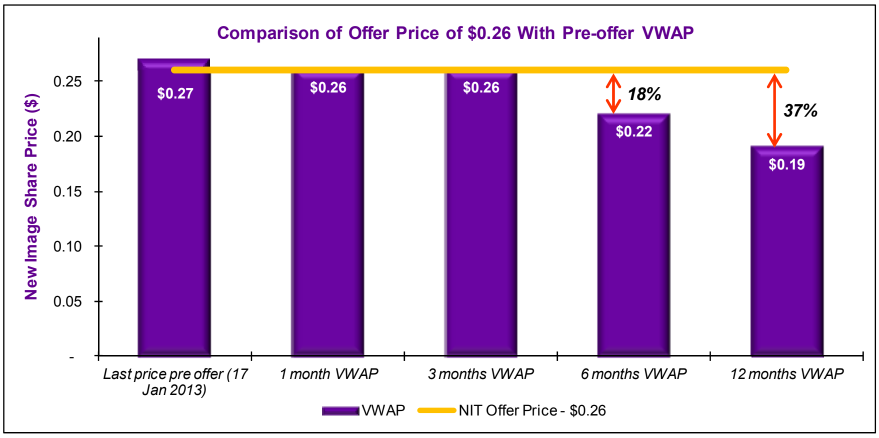
The NIT Offer consideration is cash of $0.26 per share, which is 26% below the bottom end of our range and 38% below the top end of our valuation range.



2.4 New Image Share Price Compared with Offer Price of $0.26

Offer Price is at a Premium to Recent Trading Prices

The NIT Offer of $0.26 per share represents a discount of 4% on $0.27 (being the last trading price before the NIT Offer was announced) and premia ranging from nil to 37% over the volume weighted average share price (**VWAP**) measured over one to 12 months (based on on-market share trading).



Takeover offers that are priced at or below recent share prices are uncommon. The vast majority of successful takeovers of other listed companies are at a premium to recent trading prices and, in general terms, tend to be priced at a premium in the vicinity of 20% to 35%.

We note that trading in the Company's shares is extremely thin with only approximately 1.0% of the free float (or public pool) traded on average each month. In our view, the lack of liquidity in the Company's shares means that the observed share prices may not be a reliable indicator of the market value of New Image's shares.

Post Offer Trading Prices are in Line With the Offer Price

Since the announcement of the NIT Offer on 17 January 2013, 1,465,662 New Image shares have traded in a price range of $0.26 to $0.28 at a VWAP of $0.265. The VWAP is marginally above the NIT Offer price. The volume of shares traded is not significant (1.8% of the free float).

Shares in a company subject to a takeover offer will sometimes trade on-market at prices above the offer price if there is an expectation that the bidder will increase its offer price and / or an expectation that one or more alternative bidders will lodge competing takeover offers.

The likelihood of NIT increasing its offer price is difficult to gauge but, as explained in section 2.8, we are of the view that the possibility of a competing takeover offer is remote.

The HWM Agreement ensures that the Clegg Associates can acquire a 5.0% shareholding from HWM at $0.26 per share – either through the NIT Offer or by acquisition in November and December 2013. Accordingly, there does not appear to be any compelling reason for NIT to increase the offer price – other than to increase the probability of it reaching the 90% shareholding threshold so as to enable it to invoke the compulsory acquisition provisions of the Code.

However, rather than increasing the current offer price, NIT is more likely to reconsider its options after the NIT Offer closes. It could make a subsequent "mop up" takeover offer or look to reach the 90% threshold over a longer period of time by utilising the *creep* provisions of the Code. Under Rule 7(e) of the Code, NIT will be permitted to *creep* towards the 90% threshold over time by buying up to a further 5% per annum commencing 12 months after the current offer closes.

Creeping to 90% would make greater commercial sense if NIT was comfortable with New Image remaining listed on the NZSX for a number of years and it felt that the Company's share price may decrease following the completion of the NIT Offer. However, Mr Clegg's rationale for the NIT Offer is that he perceives the benefits of being listed on the NZSX are outweighed by the costs of being listed and he has stated that depending on the final level of acceptances under the NIT Offer, he would explore with New Image a proposal to end its listing on the NZSX. If this is the overriding objective of the takeover offer, then it is possible that NIT may contemplate increasing the offer price or make a "mop up" takeover offer soon after the NIT Offer closes.

Offer Price Equates to the HWM Agreement Price

The NIT Offer price of $0.26 per share is the same price that HWM agreed to sell a 10% shareholding in the Company to Mr Clegg in 2 tranches in 2012 and 2013 under the HWM Agreement.

The HWM Agreement was signed on 25 October 2012. This was one day after the Company issued an earnings guidance that revenue for the 2013 financial year would likely be in excess of $100 million. Furthermore, HWM had been permitted to undertake a limited due diligence review of the Company's financials in late 2011 and had engaged in discussions with Mr Clegg regarding the Company's operations in 2012.

We are of the view that HWM was fully informed as to the state of the Company's affairs when it entered into the HWM Agreement and therefore we consider the negotiated price of $0.26 per share to represent a reliable indication of the fair value to HWM of a 10% shareholding in the Company at that point in time. We note that HWM had limited avenues to effect a sale of its shareholding due to the limited liquidity of the Company's shares and the provisions of the Code. Therefore HWM may have been inclined to accept the best available price negotiated with Mr Clegg even if it felt that the price was below what it considered to be the market value of its New Image shareholding.

2.5 Potential Synergies

The obvious immediate synergies available to NIT arising from its full ownership of New Image will be a reduction in the level of administration costs that would be incurred once the Company was delisted from the NZSX. The Company would no longer incur NZX listing fees, would not need to have any independent directors on its board and it would only have one shareholder to report to. This could lead to up to approximately $0.2 million of cost savings per annum.

As discussed in section 2.2, NIT would also be able to gain access to the Company's cash balances (which stood at $15.4 million as at 31 December 2012), subject to any regulatory repatriation restrictions. The repatriated cash balances could be used to retire a portion of any debt that was raised to finance the NIT Offer and / or the loan provided to the Company by the Clegg Family Trust.

2.6 Conditions of the NIT Offer

Minimum Acceptance Condition

The NIT Offer is conditional on NIT receiving acceptances for 90% or more of the voting rights in New Image by the end of the offer period (unless extended by NIT).

In order to reach the 90% shareholding threshold which would entitle it to invoke the compulsory acquisition provisions of the Code, NIT will need acceptances from shareholders holding at least 46,541,149 shares (19.81%) in addition to the Clegg Associates' 64.72% shareholding, Mr Stewart's 0.47% shareholding and HWM's 5.00% shareholding.

The Company's directors other than Mr Clegg collectively hold 3.49% shares in the Company:

- NH Chua – 6,912,500 shares (2.94%)
- Alan Stewart – 1,100,000 shares (0.47%)
- Nigel Sinclair – 110,000 shares (0.05%)
- Max Parkin – 70,000 shares (0.03%). Jody Parkin (Mr Parkin's wife) holds 95,496 shares (0.04%).

Mr Chua has not declared his intentions as to whether he will accept the NIT Offer as at the date of this report.

Mr Stewart has stated that he will accept the NIT Offer.

Mr Sinclair and Mr Parkin have stated that they will not accept the NIT Offer.

Excluding the Clegg Associates, Mr Stewart and HWM, the 10 largest shareholders in the Company collectively hold 15.67% of the Company's shares, the 20 largest shareholders hold 18.92% and the 30 largest shareholders hold 20.75%. Accordingly, the decision of these shareholders will be instrumental in determining whether NIT secures 90% or more of the shares in New Image through the NIT Offer.

If NIT is not successful in securing 90% or more of the shares at its current offer price, it may or may not choose to increase its offer price.

If NIT chooses to increase its current offer while the offer is still open, the increased value will be available to all shareholders, even if they have already accepted the $0.26 per share offer.

Other Conditions

The other conditions of the NIT Offer relate to business operations. Conditions of this nature are common in takeover offers. We do not consider that any of these conditions represent a major impediment to the offer succeeding.

2.7 Potential Outcomes

NIT Secures 90% or More of the Shares

If, as a result of the NIT Offer, NIT secures 90% or more of the shares in New Image and the offer is declared unconditional, NIT will have the right to, and has stated that it intends to, compulsorily acquire the remaining shares.

The remaining New Image shareholders will also have the right to sell their shares to NIT, in which case NIT must purchase those shares.

The price under both scenarios will be $0.26 per share if the current NIT Offer reaches the 90% threshold (or the increased offer price if the NIT Offer price is increased, subject to the terms of the Code).

If NIT is successful in acquiring 100% of New Image, it has stated that it intends to delist the Company from the NZSX.

NIT Secures Less Than 90% of the Shares

If the Minimum Acceptance Condition is not met, NIT may or may not decide to waive the condition.

If NIT chooses not to waive the Minimum Acceptance Condition, then its offer will lapse and it will not be able to acquire any New Image shares under the NIT Offer.

If NIT chooses to waive the Minimum Acceptance Condition and the NIT Offer is declared unconditional, then it can acquire all the shares accepted into the NIT Offer. This will result in NIT acquiring, at the minimum, Mr Clegg's 32.70% shareholding, Exotic's 25.65% shareholding, Mr Stewart's 0.47% shareholding and HWM's 5.00% shareholding. NIT will hold between 70.19% and potentially up to 89.99% of the shares in the Company (depending upon the number of shares that are accepted into the NIT Offer).

If NIT's shareholding increases to beyond 75%, then in order to remain listed on the NZSX, New Image may need to apply for a waiver from the requirements of NZSX Listing Rule 5.2.3 as it will be unlikely to be able to meet the shareholder spread requirements of at least 25% of the Company's shares needing to be held by at least 500 minority shareholders.

A shareholding level of between 70.19% and up to 89.99% will result in a number of changes that will impact on shareholders who retain their shareholding:

- NIT will be able to control appointments to the Company's board of directors. New Image's board of directors currently consists of 3 executive directors and 2 independent directors. As an NZSX listed company, New Image is required to have a minimum of 2 independent directors. NIT would be able to appoint more representatives to the board but in our view this would be unlikely as NIT would probably consider that it already has sufficient board control and the appointment of additional directors will increase the Company's costs

- NIT will be able to control the outcome of any ordinary resolution (50% of votes cast acceptance level) and most likely any special resolution (75% acceptance level) put to shareholders. Any transactions between the Clegg Associates and New Image will be required to satisfy the requirements of the NZSX Listing Rules with respect to transactions with related parties which include restrictions on voting where shareholders or their associates are involved in the relevant transaction. The Companies Act 1993 also provides some level of control in respect of related party transactions and changes to a company's constitution which are designed to provide protection to minority shareholders

- the liquidity of New Image's shares will reduce even further. NIT will hold at least 70.19% of the shares in New Image. The current free float of 35.28% of the shares is held by over 1,200 shareholders and is thinly traded, with approximately 1.0% of the free float (0.4% of the total number of shares) traded each month on average. If NIT acquires shares in addition to the Clegg Associates' and HWM's shareholdings under the NIT Offer, the size of the free float will decrease. This will likely lead to a further reduction in the liquidity of the Company's shares which may suppress the price at which New Image's shares trade in the future

- the attraction of New Image as a takeover target will diminish. Any future offeror would require NIT to sell its shareholding. However, NIT is unlikely to accept an offer of less than $0.26 per share and arguably would seek to achieve a premium from a subsequent potential acquirer

- NIT will be permitted to *creep* towards the 90% threshold over time by buying up to a further 5% per annum commencing 12 months after the current offer closes in accordance with Rule 7(e) of the Code. However it does not have to wait 12 months to make another takeover offer after the current offer closes. However, if NIT did make a subsequent takeover offer for further shares in New Image, it may not offer a control premium as NIT may value its offer on the basis that it already has significant control of New Image and hence does not need to pay a control premium

- non-accepting shareholders are unlikely to face any material change in business risk or dividend policy in the near term as the Company's operating policies are unlikely to be changed (positively or negatively) due to NIT's increased shareholding in the Company. Mr Clegg is the Company's founding chairman and is responsible for market development. He has stated in the Offer Documentation that he does not propose any material changes to New Image's business activities. It will continue to focus on its current operations and opportunities to sell New Image's products throughout Asia and partner with other businesses in this respect

- depending on NIT's level of shareholding after the NIT Offer has closed, NIT may decide to make a subsequent "mop up" takeover offer at a later date. Such an offer could be at a premium to the prevailing market price. However, there is no certainty that such an offer would occur and it is possible that such an offer could be at a discount to the current offer if New Image's share price drops significantly
- unless a revised or eventual "mop up" takeover offer is anticipated by the market, New Image's shares could subsequently trade at levels below the NIT Offer of $0.26 per share when the NIT Offer closes
- the Offer Documentation states that depending on the final level of acceptances, NIT would explore with New Image a proposal to end its listing on the NZSX. As NIT would control the New Image board, NIT could request that the Company apply to be delisted by NZX. NZX has discretion as to the delisting requirements it imposes and usually requires delisting to be approved by an ordinary resolution of shareholders excluding the votes of any shareholder who holds 10% or more of the shares (such as NIT). If New Image was delisted:
    - the Company's shares would cease to be quoted on and traded through the NZSX. This would significantly reduce a shareholder's ability to readily buy or sell shares in New Image and would likely adversely affect the price at which shareholders could sell their shares
    - the Company would not need to comply with the various governance and minority shareholder protections afforded by the NZSX Listing Rules, including continuous disclosure, restrictions on related party transactions and the requirement for independent directors.

2.8 Likelihood of Alternative Takeover Offers

We are advised by the Independent Directors that as at the date of this report, they are not aware of any alternative takeover offers or alternative transactions impacting on the control of the Company.

The Clegg Associates currently hold 64.72% of the Company's shares and, irrespective of the outcome of the NIT Offer, have an agreement to acquire a further 5.00% of the shares from HWM at $0.26 per share in November and December 2013 under the HWM Agreement. Accordingly, we consider the likelihood of an alternate takeover offer to be remote.

We note that if an alternative takeover offer was made (which we consider to be unlikely), then those shareholders who had already accepted the NIT Offer would not be able to accept those shares into the alternative takeover offer until the NIT Offer lapsed.

2.9 Likelihood of NIT Increasing the Offer Price

We are not aware of any intention on NIT's part to increase its offer price. However, if NIT does increase its price under this offer, the increased price will be available to all shareholders, including those who have already accepted the NIT Offer at $0.26 per ordinary share.

2.10 Advantages of Accepting the NIT Offer

Assuming the NIT Offer is declared unconditional, acceptance of the offer will enable shareholders to realise cash of $0.26 for each of their shares. As stated previously, trading in the Company's shares is extremely thin.

The $0.26 offer price is at a premium of between nil and 37% to the on-market VWAP that the shares have traded at over the year up to the announcement of the NIT Offer. Since the announcement of the NIT Offer, 1,465,662 shares have traded on the NZSX in a price range of $0.26 to $0.28 at a VWAP of $0.265, which is marginally above the offer price.

For shareholders with significant shareholdings, the ability to dispose of some or all of their shares by accepting the NIT Offer may represent an exit opportunity not available on the NZSX.

Shareholders with small parcels of shares could possibly achieve a better financial outcome by selling their shares on the NZSX at present, depending on the price they achieve and the brokerage costs they pay. This however depends on the level of demand for New Image shares at any particular point in time (ie the quantities that buyers are seeking and the prices that they are prepared to pay).

2.11 Disadvantages of Accepting the NIT Offer

Forego Possible Future Uplift in New Image Share Price

By accepting the NIT Offer, shareholders will forego the possibility that the value of the Company's operations may increase in time and may be reflected in an increase in New Image's share price.

The Company is forecasting revenue of $110 million to $120 million and pre tax earnings of $12 million to $14 million in the 2013 financial year, compared with revenue of $75 million and a pre tax loss of $5 million in the 2012 financial year. The growth in the current year is primarily driven by growth in the Malaysia Direct Selling business.

The Independent Directors consider that New Image has the opportunity to continue to grow its revenue in both its key Direct Selling markets and the Retail / Wholesale business through the manufacture and sale of New Zealand dairy products such as infant formula and goat milk powder for (predominantly) Asian customers.

Enhanced earnings may lead to increases in the New Image share price and / or other potential takeover bidders taking an interest in the Company.

Inability to Transact Accepting Shares

If a shareholder accepts the NIT Offer, then, until the expiry of the offer period, they will be unable to dispose of the shares which they have accepted into the NIT Offer, whether by selling them on-market or by accepting them into an alternative takeover offer (if one were to arise).

Implications of Not Accepting the NIT Offer

If NIT receives acceptances which result in its shareholding level being at least 90%, then it will be able to compulsorily acquire the remaining shares at $0.26 (or the higher price if NIT increases its offer price). Non-accepting shareholders will be required to sell their shares to NIT and will not be able to dispute the purchase price.

If NIT does not reach the 90% shareholding threshold, then shareholders who do not accept the NIT Offer will continue as shareholders in the Company and will be subject to the issues set out in section 2.7 *NIT Secures Less Than 90% of the Shares*.

2.12 Summary of the Evaluation of the Merits of the NIT Offer

The NIT Offer is a full offer for all of the shares in the Company. Factors that shareholders should consider when deciding whether to accept or reject the NIT Offer include:

- NIT is already assured of holding at least 70.19% of the Company's shares if the NIT Offer is declared unconditional
- HWM is the Company's largest shareholder after the Clegg Associates. It is contractually bound to accept the NIT Offer
- we assess the full underlying value of New Image's shares to be in the range of $0.35 to $0.42 per share. The NIT Offer price of $0.26 per share is 26% below the bottom end of our range
- the NIT Offer of $0.26 per share represents a premium ranging from nil to 37% over the Company's on-market VWAP over the past year of $0.19 to $0.26
- since the announcement of the NIT Offer, a small volume of the Company's shares have traded on the NZSX in the range of $0.26 to $0.28 at a VWAP of $0.265, which is marginally above the offer price
- given that NIT will acquire at least 70.19% of the shares due to the acceptance of the offer by Mr Clegg, Exotic and HWM, we consider the likelihood of an alternative takeover offer to be remote
- if the NIT Offer results in NIT receiving acceptances in respect of at least 90% of the shares, NIT will compulsorily acquire the remainder of the shares and the Company will be delisted from the NZSX
- even if the 90% threshold is not met, if the NIT Offer is declared unconditional, Mr Clegg has signalled that he may explore the option of delisting New Image from the NZSX.

The main advantage for shareholders of accepting the NIT Offer is that they will be able to realise cash of $0.26 per share for their shares. However, while this price is equal to or higher than the Company's on-market VWAP over the past year, since the announcement of the NIT Offer the Company's shares have traded at or marginally above the offer price. Accordingly, shareholders may possibly achieve a better financial outcome by selling their shares on the NZSX (depending on the price they achieve and the brokerage costs they pay). However, trading in the Company's shares is extremely thin and therefore it is likely that shareholders with significant shareholdings would not be able to dispose of all of their shares on-market at the current prices within relatively short timeframes.

The main disadvantage of accepting the NIT Offer is that shareholders will not participate in any appreciation in the value of the Company's shares as a result of improved performance. The offer price is significantly below our valuation range and the Company is projecting a significant improvement in its financial results in the current financial year.

Shareholders who are contemplating not accepting the NIT Offer in the expectation of an appreciation in the value of the Company's shares should consider how any potential incremental value could actually be realised given that NIT will hold at least 70.19% of the Company's shares and the liquidity of the shares will reduce even further following the completion of the NIT Offer. Furthermore, Mr Clegg has stated that NIT may explore with the Company a proposal to end its listing on the NZSX. If the Company was delisted, it would significantly reduce the ability of shareholders to trade the Company's shares and would likely adversely affect the price at which shares could be sold.

2.13 Acceptance or Rejection of the NIT Offer

Acceptance or rejection of the NIT Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Profile of New Image

3.1 Company Background and History

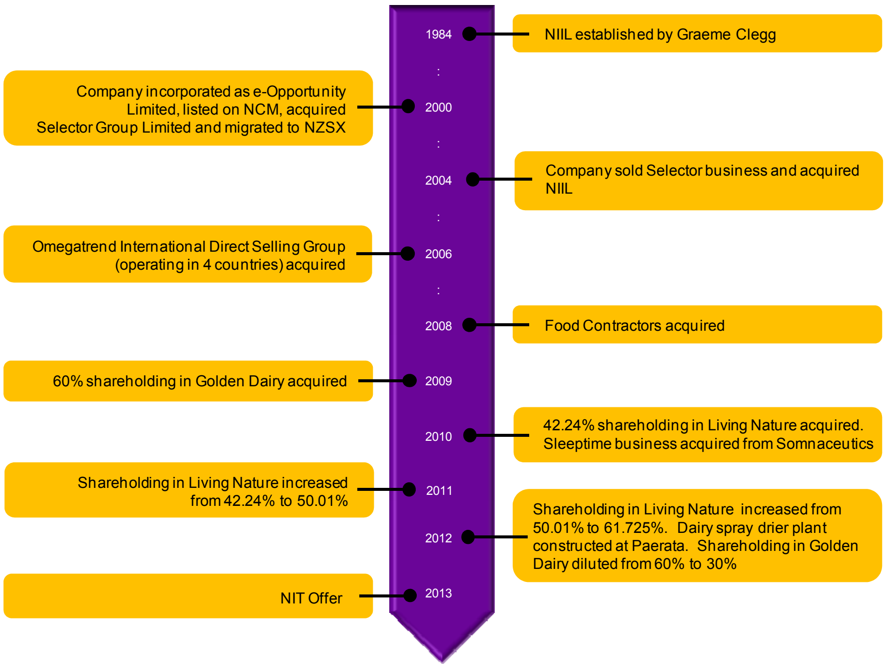
NIIL was founded in 1984 by Mr Clegg as a company dedicated to supporting family health through the pioneering of a number of health and nutritional products.

The Company was incorporated on 13 March 2000 as e-Opportunity Limited and listed on the New Capital Market (**NCM**) operated by NZX on 10 May 2000.

On 4 August 2000, the Company acquired Selector Group Limited, changed its name to Selector Group Limited and migrated its listing to the NZSX.

On 29 November 2004, the Company acquired NIIL for $8.0 million, disposed of the Selector Group business and changed its name to New Image Group Limited on 6 December 2004.

Key events in the Company's history are set out below.



3.2 Overview of Operations

The Company's core business is the development, manufacture and distribution of health and nutritional products. Its main products are based on bovine colostrum.

New Image is effectively 2 businesses:

- the Direct Selling business
- the Retail / Wholesale business (including manufacturing).

The Company's organisation structure is set out below.

Direct Selling	Retail Sales	Manufacturing	Head Office	Living Nature
• Malaysia • Taiwan • Thailand • New Zealand • Singapore • South Africa • Philippines • Australia • Indonesia • India • Hong Kong	*New Image brands* *OEM sales*	*Contract packaging* Auckland • Avondale • Penrose Paerata	Auckland	*Skin care and cosmetic products* Kerikeri

Direct Selling

The Company primarily sells product internationally through its direct selling distribution method which is supported by a MLM compensation program.

The Direct Selling business currently operates in 11 countries. The most significant operations are in Malaysia and Taiwan, which accounted for approximately 90% of the Company's Direct Selling revenue in the 2012 financial year (and represented approximately 70% of the Company's total revenue). New Image also has significant activity in Thailand and limited activity in New Zealand, Australia, Indonesia, India, Singapore, the Philippines, Hong Kong and South Africa. Operations in Japan were ceased in 2011 and India will cease in 2013.

The Direct Selling business and the direct selling / MLM industry are discussed in more detail in section 3.3.

Retail / Wholesale

New Image also distributes its own retail brands through traditional channels to health professionals as well as undertaking private label manufacturing.

Retail Sales consist of the sale of the *COL+*™ branded colostrum drink and infant formula, nutritional supplements and skin care products sold under both the Company's brands (*Symbiotics*™, *Bio Active*™, *First Life*™, *Vitenz*™ and *New Image*) and customers' brands.

New Image's manufacturing activities are undertaken in New Zealand. The Manufacturing division manufactures and supplies the majority of products for the Direct Selling business and other non-direct sales segments. It also undertakes contract packing for customers. Details regarding the Company's manufacturing plants are set out in section 3.4.

Recently the Company has supplemented its distribution network by expanding its product line through acquisition.

The Company holds a 61.725% interest in Living Nature Natural Products Limited (**Living Nature**), a manufacturer of natural skin care products for sale through retail outlets in New Zealand and international markets under the *Living Nature* and *Bio-Rejuv*™ brands.

The total acquisition cost for the 61.725% shareholding was $4.0 million:

- the Company initially acquired a 42.24% shareholding in November 2010 for $2.7 million
- it acquired a further 7.77% shareholding in April 2011 for $0.5 million
- it acquired a further 11.715% in April 2012 for $0.8 million.

The carrying value of the investment in Living Nature is negligible as at 31 December 2012.

New Image acquired 100% of the Sleeptime business (including intellectual property and patents) from Somnaceutics Limited (**Somnaceutics**) in December 2010 for $3.1 million. The intellectual property relates to a sleep enhancing milk peptide and related consumer products which the Company markets as *Alpha Lipid™ Sleep Time™*.

The carrying value of the Sleeptime business has been written down to $1.2 million as at 31 December 2012.

3.3 Direct Selling Business

The Direct Selling business is the Company's most significant operating segment. Up to 90% of New Image's revenue each year is derived from the Direct Selling business.

Overview of the Direct Selling Industry

Direct selling is a distribution method for marketing consumer products directly to a customer, away from a fixed retail location.

Typically, direct selling companies focus on marketing products that meet essential consumer needs as the basis for their product lines, encouraging repeat business.

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.

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 wholesaling and distribution costs. This cost infrastructure is not applicable in the direct selling industry.

In New Zealand and elsewhere, the general public sees little of the direct selling 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 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.

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 who they have personally sponsored or who are part of their personal group.

The critical success factors for direct selling businesses are the number of distributors in the network and the behaviour of those distributors. Building a successful direct selling business requires penetrating different markets by way of offering a quality and demanded product in addition to running successful campaigns to create awareness for the product as well as the program. Ultimately, these campaigns are run not only to enlighten individuals on the benefits of the product but to convince these individuals to join the program to acquire an opportunity of achieving commissions. The more successful these campaigns are, the larger the distributor network becomes. Distributors in MLM program networks have the financial motivation to both sell products to the end consumer as well as to recruit new distributors to build the network.

Worldwide direct selling sales were US$153.7 billion in 2011, generated by over 91.5 million distributors. The 5 largest direct selling companies in 2011 by revenue were:

- Avon Products, Inc. - US$11.3 billion
- Amway Corporation - US$10.9 billion
- Herbalife Limited - US$3.5 billion
- Natura Cosméticos S.A. – US$3.0 billion
- Vorwerk & Co. KG - US$3.0 billion.

Wellness products and personal care products feature significantly in the direct selling industry. Of the US$29.9 billion of direct sales in the USA in 2011, 24.1% were of wellness products and 18.2% were of personal care products. In New Zealand, 26.8% of direct sales in 2010 were of nutritional products and personal care products accounted for 32.8%.

New Image's Direct Selling Business Model

New Image's direct selling distributors are referred to as members. A large percentage of customers become members because of the opportunity to buy New Image products at wholesale prices and the business opportunity available under the MLM compensation plan.

New Image manufactures its products and its members act as the retailer with low overheads. The substantial savings in cost of sales are available to be paid out to the members as commissions, not only for their efforts but to encourage them to introduce and train new members, thereby creating growth for the Company.

Members are rewarded for their efforts with a commission based on their sales volume. New Image, like most direct selling companies, uses a MLM compensation plan, whereby 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. No commissions are paid for recruiting new members.

The number of active members is a fundamental driver of profitability in any direct selling business. New Image's actual member numbers are not disclosed in this report as the information is considered to be commercially sensitive. The trend in active member numbers (ie members who have purchased product in a month) over the past 3 and a half years as been as follows:

- 2010 financial year – 29% decrease
- 2011 financial year – 33% decrease
- 2012 financial year – 35% increase
- 6 months to 31 December 2012 – 61% increase.

The vast majority of the growth in active members in the past year and a half has been in the Malaysian operations.

New Image's member churn rate is in line with industry norms and therefore it is critical that the Company is persistently targeting new candidates to join its member network.

The Company has been a member of the Direct Selling Association of New Zealand (**DSANZ**) since 1990. The DSANZ administers the industry's code of ethics. Mr Clegg has been on the board of DSANZ for the past 5 years. New Image is also a member of the Direct Selling Association of Australia.

3.4 Manufacturing

New Image manufactures the vast majority of the products that it sells. It also acts as a contract manufacturer for other companies.

The Company manufactures powder drinks products, liquid drinks, capsules, tablets and cosmetics at its 3 North Island based production and distribution facilities:

- Avondale, Auckland – a powder blending and packaging plant
- Penrose, Auckland – a manufacturing plant consisting of an automated can making operation, form and fill packaging line, tableting and capsulating equipment, sachet packing lines and a state of the art high pressure plant
- Paerata – a state of the art spray dry milk powder and wet blend plant, capable of producing wet blended infant formula, goat milk powder and other ingredients such as high grade colostrum used in the majority of the Company's products.

Living Nature has a production facility in Kerikeri which produces a range of skin care products.

New Image has invested significant capital in its manufacturing capability in the past 3 years:

- $1.5 million on an upgrade of the Avondale plant in the 2011 financial year
- $0.9 million on the Penrose can manufacturing plant in the 2012 financial year
- $5.9 million on the Paerata plant in the 2011 and 2012 financial years.

A second can filling line for the Avondale plant is to be implemented in April 2013 at a cost of $0.8 million.

3.5 Products

New Image pioneered the development of colostrum in 1996 as an effective foundation supplement for good health with the launch of *Lifeline*™ – a colostrum, powdered drink formulation.

Direct Selling

New Image's Direct Selling products fit into 6 categories.

Colostrum	Nutritional Support	Weight Management	Early Childhood Nutrition	Skin & Hair Care	Homecare

While the Company sells around 70 products, approximately 98% of sales are in the *Alpha Lipid*™ product lines. The main *Alpha Lipid*™ products are:

- *Lifeline*™ - the original colostrum breakfast drink
- *Ultra Diet*™ / *SDII*™ and *SDII Enhanced*™ - support for weight management and meal supplement
- Colostrum Capsules and Colostrum Chewable Tablets - support for the lower and upper digestive tract
- *Colostem*™ - supporting healthy adult stem cells
- *Sleep Time*™ - support for a restful night's sleep
- *IQ*™ - infant formula milk powder.

Just 2 products - *Lifeline*™ and *SDII Enhanced*™ – account for approximately 90% of total Direct Selling revenue.

Skin and hair care products are sold under the *Bio-Rejuv*™ and *New Image* brands.

Homecare products include laundry powder, general purpose cleaner and fuel conditioner.

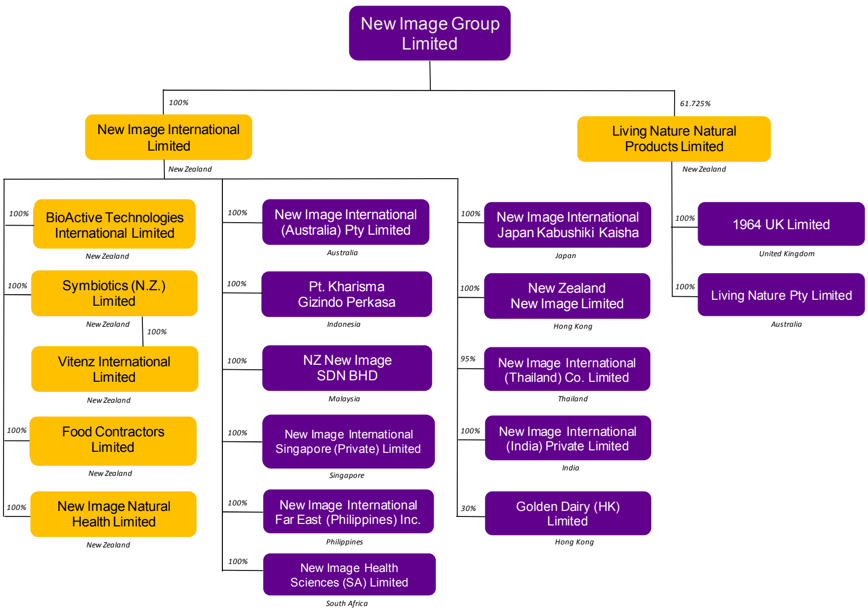
Retail Sales

In addition to the products sold through the Direct Selling business, New Image manufactures and sells a range of products through selected wholesale and retail outlets, including:

- *COL+*™ – an RTD colostrum plus milk drink
- infant formula, pregnancy formula and children's chewable colostrum tablets under the *Symbiotics*™ brand
- goat milk whole milk powder, goat milk infant formula, colostrum milk powder and colostrum tablets and capsules under the *Bio Active*™ brand.

3.6 Corporate Structure

The New Image corporate group structure is set out below (excluding non-trading subsidiaries).



New Image has established subsidiary trading companies in each of the countries in which it operates, other than Taiwan which operates as a trading branch of NIIL.

3.7 Directors and Senior Management

The directors of New Image are:

- NH Chua, executive director, executive team member
- Graeme Clegg, founding chairman, executive team member
- Max Parkin, independent director
- Nigel Sinclair, independent director
- Alan Stewart, deputy chairman, executive team member.

The Company's senior executives are:

- Graeme Clegg, executive director
- NH Chua, vice president Asia Pacific, executive director
- Alan Stewart, executive director
- Guy Wills, general manager New Zealand
- Russell Bach, general manager global development
- Craig Cooper, group quality manager
- Matthew Stanish, general manager manufacturing and supply chain
- Simon Yarrow, general manager global marketing
- Bruce Huang, general manager Taiwan
- Jackie Herbert, general manager new product development and technical.

Murray Page, chief financial officer, resigned from the Company on 18 January 2013.

3.8 Corporate Objectives and Strategy

New Image states that its strategic purpose is *a New Zealand company promoting health, wealth and wellness globally*.

The Company's key strategies are:

- develop and resource people:
  - increased marketing competency and resource
  - management placed in country
  - leveraging the New Zealand team
- optimise and increase penetration in core existing Direct Selling markets:
  - grow Malaysia and Taiwan
  - align the compensation plan to enhance profitability and expansion
- growth in selected new Direct Selling markets:
  - Thailand
  - Vietnam
- grow brands and contract business:
  - infant, maternal and elderly nutrition into China
  - build presence and partnerships in China and seed selected Asian markets
  - launch branded products in New Zealand
  - leverage unique position and opportunity with goat milk nutritional products

- align capabilities and resources to support the strategy and growth:
  - utilise the significant investment in plant
  - focus resources on priority areas.

3.9 Key Issues Affecting New Image

The main industry and specific business factors and risks that New Image faces include:

- country risks – New Image operates in 11 countries and thereby has exposure to 11 different political environments, many of which differ from the New Zealand political environment
- economic risks – all of the countries that New Image operates in are vulnerable to the global economic climate and the performance of the economies of their larger trading partners
- regulatory risks – New Image is exposed to the risk of regulatory changes in the overseas jurisdictions that it operates in. Changes in laws or regulations in the overseas jurisdictions could lead to increased compliance costs and / or the inability to operate in a particular country
- exchange rate risks – Direct Selling operations are conducted in the domestic currency of each country. Appreciation in the value of the New Zealand dollar against these currencies would reduce the value of New Image's cash flows in New Zealand dollar terms. The Company has particular exposure to the Malaysian ringgit and the new Taiwan dollar
- taxation issues – Direct Selling operations are subject to overseas tax legislation and shareholder returns are subject to New Zealand tax legislation
- manufacturing operational risks, including:
  - exposure to biosecurity risks
  - exposure to food safety risks such as contamination. The recent publicity regarding DCD traces found in New Zealand milk powder highlights this risk
  - reliance on supply of inputs – particularly dairy products
  - material failures in the Company's manufacturing processes
- Direct Selling member network risks, including:
  - the ability to attract, retain and motivate members. The loss of a significant number of members could negatively impact sales of the Company's products and could impair its ability to attract new members
  - members could fail to comply with New Image's policies and procedures, which could result in claims against the Company
  - adverse publicity regarding the Company's products or MLM compensation program could result in the loss of members
- failure to respond to changing consumer preferences and demand for new products could result in a reduction in revenue. This is especially so in the Direct Selling business which relies heavily on the sale of just 2 products - *Lifeline*™ and *SDII Enhanced*™

- reliance on key personnel – particularly Mr Clegg and Mr Chua in respect of the Direct Selling business.

3.10 Growth Opportunities and Challenges

The Company's directors are of the view that the Company is well positioned to take advantage of the growing demand for dairy based products throughout Asia. They consider the restructuring undertaken during the 2012 financial year coupled with the capital expenditure on manufacturing plant has provided a solid platform for the Company to grow its revenue.

Growth is expected in the key established Direct Selling markets of Malaysia, Taiwan and Thailand. Opportunities also exist to develop new Direct Selling markets such as Vietnam.

Growth in the Retail / Wholesale business is expected primarily from Asian (and to a lesser degree Middle East) customers seeking the manufacture of New Zealand dairy products such as infant formula, goat milk powder and lifestage nutritional products.

While the Company has significant growth opportunities, it also faces a number of challenges that may inhibit its ability to fully exploit the opportunities:

- the Direct Selling business can be volatile. It requires strong leadership to grow the member network and continuous product development to meet consumer preferences
- manufacturing standards for products such as infant formula for the Chinese market are onerous
- the Company may face capacity constraints if demand significantly increases
- other dairy companies are currently investing in spray dry milk powder plants in anticipation of increased demand from China. The increase in manufacturing capacity in New Zealand will create significant competition for New Image
- the Company's current management structure is not optimal. For example:
  - it has no treasury function, resulting in debt being drawn down in New Zealand and incurring interest costs at head office level while significant cash balances are held overseas (particularly in Malaysia and Taiwan)
  - the leadership and development of the Direct Selling business is heavily reliant on 2 individuals – Mr Clegg and Mr Chua. There is limited in-country management to manage the Direct Selling countries on a local basis.

3.11 Financial Performance

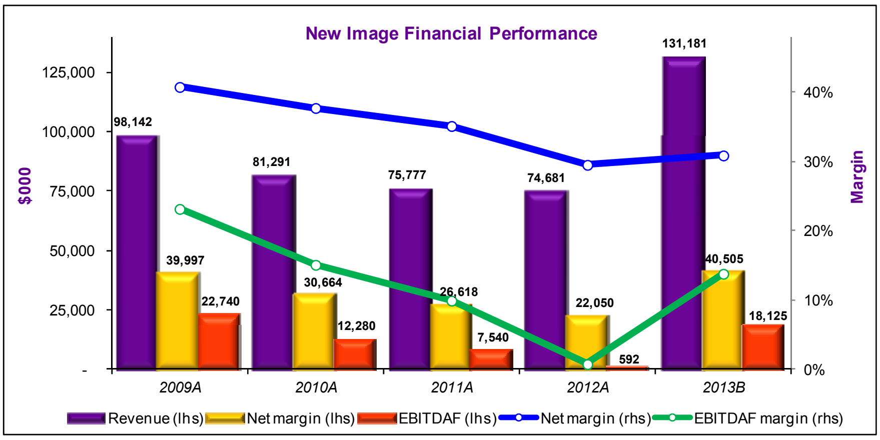
A summary of New Image's recent financial performance is set out below.

Summary of Financial Performance	Year to 30 Jun 09 (Audited) $000	Year to 30 Jun 10 (Audited) $000	Year to 30 Jun 11 (Audited) $000	Year to 30 Jun 12 (Audited) $000	Year to 30 Jun 13 (Budget) $000
Revenue	98,142	81,291	75,777	74,681	131,181
Gross margin	80,448	63,449	55,184	47,914	86,837
Net margin	39,997	30,664	26,618	22,050	40,505
EBITDAF	22,740	12,280	7,540	592	18,125
EBIT	22,340	11,200	5,258	(3,888)	15,346
NPAT	15,512	7,350	2,339	(6,115)	10,457
EPS (cents)	6.8	3.2	1.0	(2.3)	4.5
DPS (cents)	0.5	1.7	1.5	-	

EBITDAF: Earnings before interest, tax, depreciation, amortisation and fair value adjustments
EBIT: Earnings before interest and tax
NPAT: Net profit after tax
EPS: Earnings per share
DPS: Dividends per share (paid)

Source: New Image annual reports and 2013 budget

New Image's revenues and earnings have decreased each year between the 2009 and 2012 financial years. The Company's budget is for a significant increase in revenue and earnings in the 2013 financial year. While results for the first half of the 2013 financial year are ahead of budget, the Company expects its full year's results to be slightly behind budget.



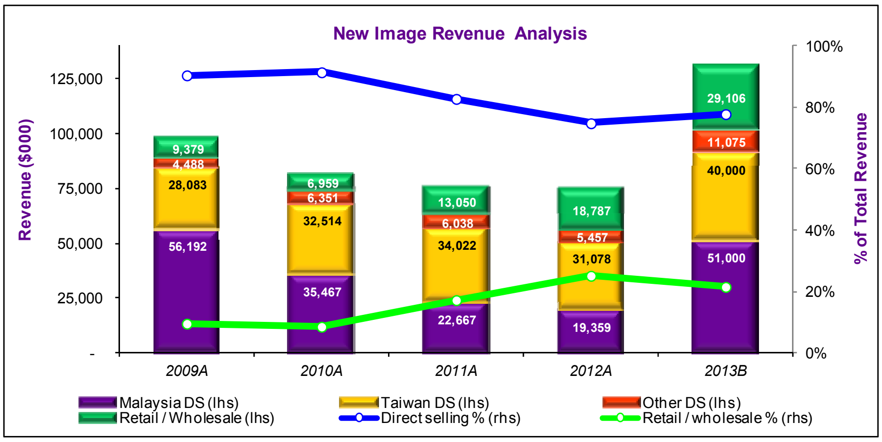
The decrease in revenue and earnings between 2009 and 2012 was largely driven by the global financial crisis (and the resulting economic slowdown in Asian markets), the strength of the New Zealand dollar and diminishing Direct Selling networks. This was particularly evident in the Malaysian Direct Selling operation.

During this period, the Company has invested heavily in its infrastructure in an effort to expand its product offerings, explore new target markets to penetrate and expand its manufacturing capabilities.

The budgeted significant improvement in revenue and earnings in the 2013 financial year is largely attributable to significant growth in the Malaysian Direct Selling operations. The Malaysian member network has more than tripled since the introduction of a new product in May 2012 (*Alpha Lipid*™ *SDII Enhanced*™) and its revenue is budgeted to increase by over 160% in the 2013 financial year.

Revenue

New Image's revenue has decreased from $98 million in the 2009 financial year to $75 million in the 2012 financial year and is budgeted to increase significantly to $131 million in the 2013 financial year.



Direct Selling Revenue

The vast majority of the Company's revenue is derived from the Direct Selling business. Direct Selling revenue has ranged from 91% in the 2010 financial year to 75% in the 2012 financial year. Direct Selling revenue is budgeted to represent 78% of revenue in the 2013 financial year.

Total Direct Selling revenue has decreased from $89 million in the 2009 financial year to $74 million in 2010, $63 million in 2011 and $56 million in 2012, largely as a result of adverse economic conditions in the key Asian markets, diminishing member networks, the strengthening New Zealand dollar and discounting of key products (such as *Alpha Lipid*™ *Lifeline*™) by some traders, pharmacies and retail outlets.

Malaysia and Taiwan account for approximately 90% of Direct Selling revenue. The most significant decreases in Direct Selling revenue between 2009 and 2012 have been in the Malaysian market, where revenue decreased from $56 million to $19 million.

Direct Selling revenue is budgeted to increase by 82% from $56 million to $102 million in the 2013 financial year, due mainly to a budgeted $32 million increase in Malaysia revenue driven by the launch of the *Alpha Lipid*™ *SDII Enhanced*™ diet product (with an altered compensation structure) and a focus on growing the member network.

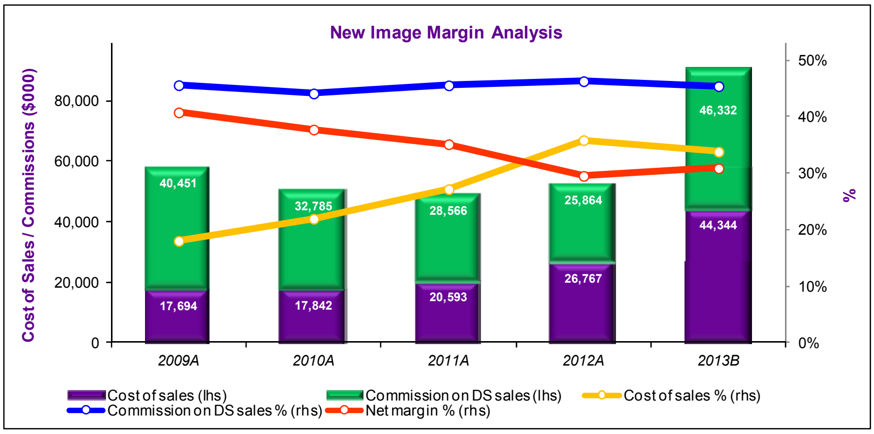
Retail / Wholesale Revenue

Growth in Retail / Wholesale revenue has mainly been driven by the manufacture and sale of dairy products such as infant formula for new customers - predominantly from Asia.

Growth in retail brand sales has been moderate and has mainly been due to sales of Living Nature's skin care product line.

Gross Margin and Net Margin

Gross margin represents revenue less cost of sales. Net margin represents gross margin less commissions paid on Direct Selling sales.



Cost of sales as a percentage of revenue has increased each year due to an increased proportion of products being manufactured for external clients (at lower margins). Cost of sales in the 2012 financial year were also impacted by $1.2 million of stock provisions in respect of infant formula manufactured to order for Natural Dairy in China that was not taken up.

Commissions have remained relatively constant at between 44% and 46% each year.

The combination of increasing cost of sales levels and steady commission levels has resulted in gross margins and net margins decreasing between the 2009 and 2012 financial years. The budgeted reduction in cost of sales percentage in the 2013 financial year results in an increase in budgeted gross and net margin percentages.

Other Operating Expenses

Employee benefits represent New Image's largest category of other operating expenses, equating to between 8% and 13% of revenue each year. New Image (including Living Nature) employed approximately 170 people as at 31 December 2012, with the majority engaged in manufacturing activities.

Other main operating expenses are:

- general administration (approximately 5% of revenue each year)
- event costs (approximately 3% of revenue each year)
- occupancy costs (approximately 2% of revenue each year).

Fair Value Adjustments

The Company has recorded a number of fair value adjustments in the last 3 financial years arising from the impairment of acquired businesses and the *COL+*™ product.

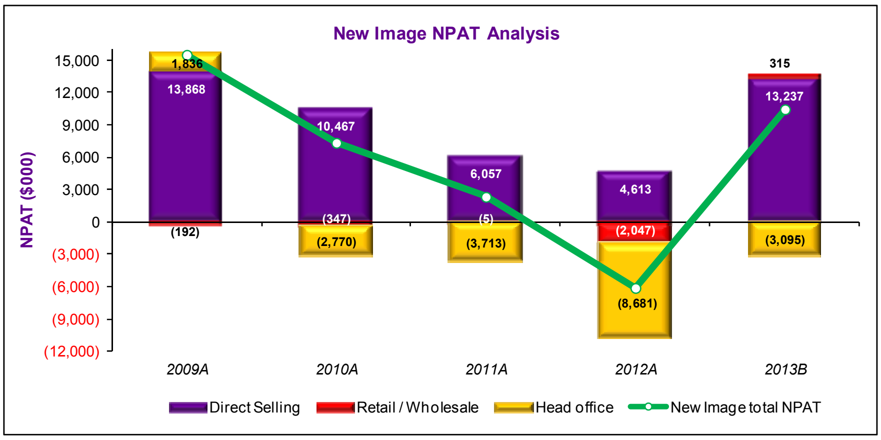
Fair Value Adjustments	Year to 30 Jun 10 (Audited) $000	Year to 30 Jun 11 (Audited) $000	Year to 30 Jun 12 (Audited) $000
Impairment of goodwill	118[1]	32[1]	1,200[2]
Impairment of investment in Golden Dairy			771
Impairment of *COL+*™ plant and equipment		600	
Impairment of *COL+*™ patents and trademarks		197	
Impairment of investment in Living Nature			1,820
Total	118	829	3,791

1 In respect of acquired Direct Selling businesses
2 In respect of the Sleeptime business

Source: New Image annual reports

NPAT

An analysis of the composition of the Company's NPAT each year shows that the Direct Selling business generates virtually all of New Image's profits.



Direct Selling NPAT has ranged from a low of $4.6 million in the 2012 financial year to $13.9 million in the 2009 financial year. Direct Selling NPAT is budgeted to be $13.2 million in the 2013 financial year.

Retail / Wholesale NPAT has been negligible up to the 2011 financial year and was a loss of $2.0 million in the 2012 financial year. Retail / Wholesale NPAT is budgeted to be $0.3 million in the 2013 financial year.

Head office NPAT has generally been a loss in the vicinity of $3 million each year, except in years where there have been significant fair value adjustments (such as 2012).

2012 Abnormal Items

The 2012 financial results included a number of abnormal / non-recurring items. Adjusting for these items results in normalised EBITDAF of $3.7 million and normalised NPAT of a loss of $0.5 million.

2012 Financial Year Abnormal Items

	EBITDAF $000	NPAT $000
As reported	592	(6,115)
Compensation payment to NH Chua re non-listing of Malaysia Direct Selling business	1,311	1,311
Stock provisions in respect of failure of Natural Dairy manufacturing relationship	1,210	1,210
Wind-up of share based payment scheme	572	572
Impairment of Sleeptime goodwill		1,200
Impairment of Golden Dairy investment		771
Impairment of Living Nature investment		1,820
Gain on dilution of Golden Dairy investment		(525)
Reduction in acquisition contingent consideration		(700)
Normalised	3,685	(456)

Source: New Image 2012 annual report and 30 June 2012 management accounts

2013 Budget

The 2013 budget was approved by New Image's directors in September 2012 and is based on the following key assumptions:

- 76% growth in revenue from $75 million to $131 million, driven mainly by:
  - 82% growth in Direct Selling revenue, largely due to the launch of the *Alpha Lipid*™ *SDII Enhanced*™ product in Malaysia in May 2012
  - 55% growth in Retail / Wholesale revenue, driven mainly by increased levels of products such as infant formula being manufactured for Asian customers
- net margin improving slightly from 30% to 31%:
  - cost of sales reducing from 36% to 34% of revenue
  - commissions reducing from 46% to 45% of Direct Selling revenue
- other operating expenses increasing by 8%.

Actual Results for 6 Months Ended 31 December 2012

New Image's actual results for the first half of the 2013 financial year are ahead of budget and significantly ahead of the corresponding period in the 2012 financial year.

Financial Performance for 6 Months Ended 31 December 2012

	6 Mths to 31 Dec 2012			6 Mths to 31 Dec 2011	
	(UnAudited) $000	(Budget) $000	*(Variance)* $000	(Unaudited) $000	*(Variance)* $000
Revenue	67,912	61,519	*6,393*	35,248	*32,664*
Gross margin	47,033	39,993	*7,040*	23,872	*23,161*
Net margin	20,834	18,209	*2,625*	11,725	*9,109*
EBITDAF	10,200	7,419	*2,781*	1,409	*8,791*
EBIT	8,189	6,045	*2,144*	171	*8,018*
NPAT	5,427	4,025	*1,402*	(372)	*5,799*

Source: New Image 31 December 2012 management accounts

The increase in revenue and earnings has been largely driven by the performance of the Malaysia Direct Selling business, where the member network has doubled since 30 June 2012 and revenue has more than quadrupled from $8 million in the 6 months ended 31 December 2011 to $38 million in the 6 months ended 31 December 2012. Retail / Wholesale revenue is behind budget.

The results include $3.0 million of provisions against Living Nature receivables, inventories and fixed assets ($2.3 million), Golden Dairy receivables ($0.1 million) and *Bio-Rejuv*™ inventories ($0.6 million).

Earnings Guidance

New Image's last earnings guidance prior to the NIT Offer was provided at the Company's annual meeting on 29 November 2012. The Company stated that it expected its revenue for the 2013 financial year to be more than $100 million and it expected its net profit before tax (**NPBT**) to be in the range of $12 million to $14 million.

The Company released an updated earnings guidance on 1 February 2013 based on its unaudited results for the half year, stating that it expected revenue for the 2013 financial year to be in the range of $110 million to $120 million and NPBT to be in the range of $12 million to $14 million.

While revenue for the first half of the 2013 financial year was ahead of budget, the Company expects revenue in the second half of the year to be below budget due to more difficult trading conditions and a downturn in Malaysian sales. Monthly sales in Malaysia peaked in October 2012 at $8.7 million and have since reduced to $5.2 million in December 2012.

3.12 Financial Position

A summary of New Image's recent financial position is set out below.

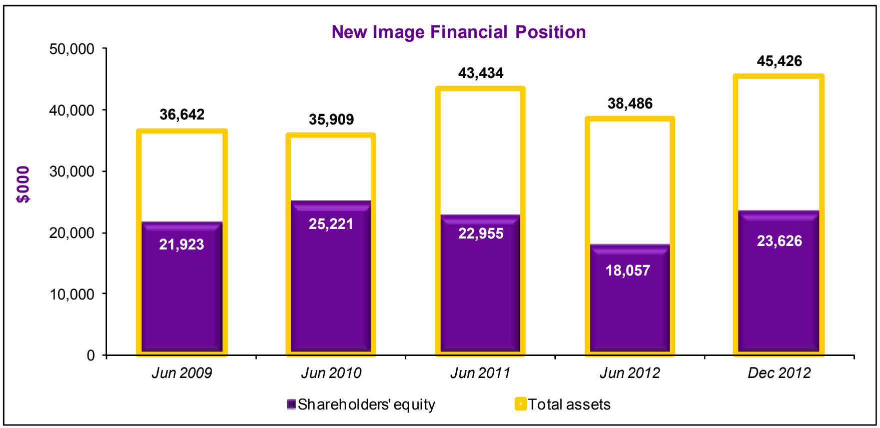
Summary of Financial Position

	As at 30 Jun 09 (Audited) $000	As at 30 Jun 10 (Audited) $000	As at 30 Jun 11 (Audited) $000	As at 30 Jun 12 (Audited) $000	As at 31 Dec 12 (Unaudited) $000
Cash and cash equivalents	22,107	18,880	13,030	6,768	15,391
Trade and other receivables	2,627	3,386	4,724	4,578	4,481
Inventories	5,324	5,938	8,719	8,966	8,729
Current assets	30,058	28,204	26,473	20,312	28,601
Property, plant and equipment	3,829	4,849	8,380	12,626	11,277
Intangible assets	2,623	2,558	5,565	4,705	4,705
Investment in associate			2,469		
Deferred tax asset	132	298	547	843	843
Non current assets	6,584	7,705	16,961	18,174	16,825
Total assets	36,642	35,909	43,434	38,486	45,426
Trade and other payables	(12,849)	(7,573)	(10,090)	(11,386)	(15,665)
Interest bearing debt	(1,470)	(2,715)	(9,200)	(6,429)	(3,933)
Current liabilities	(14,319)	(10,288)	(19,290)	(17,815)	(19,598)
Acquisition contingent consideration			(1,099)	(365)	(365)
Interest bearing debt	(400)	(400)	(90)	(2,249)	(1,837)
Non current liabilities	(400)	(400)	(1,189)	(2,614)	(2,202)
Total liabilities	(14,719)	(10,688)	(20,479)	(20,429)	(21,800)
Total equity	21,923	25,221	22,955	18,057	23,626

Source: New Image annual reports and 31 December 2012 management accounts

The New Image business operates on minimal operating working capital as Direct Selling sales are on a cash / credit card basis and creditors and accruals roughly equate to receivables and inventories. The Company's main investment is in its plant and equipment.

Increases in property, plant and equipment, inventory and payables since the 2010 financial year are the result of the Company's initiative to grow its manufacturing division through expansion and upgrade of its capabilities.



The majority of the $15.4 million of cash and cash equivalents as at 31 December 2012 is held offshore in Malaysia ($10.7 million) and Taiwan ($3.2 million).

Trade and other receivables relate to manufacturing and contract packaging sales.

Property, plant and equipment consist mainly of plant and equipment in the Company's 3 manufacturing sites. Significant capital expenditure has been incurred since 30 June 2010 at the 3 manufacturing sites.

Intangible assets consist mainly of goodwill arising on the acquisition of the Symbiotics, Food Contractors and Sleeptime businesses. An impairment charge of $1.2 million in respect of the Sleeptime business was recorded in the 2012 financial year.

The $2.5 million investment in associate as at 30 June 2011 represented the 50.01% shareholding in Living Nature as at that date. This was reclassified to an investment in subsidiary and consolidated in the 2012 financial year following the increase in the Company's shareholding to 61.725% in April 2012. The 30% shareholding in Golden Dairy is carried at nil value as at 31 December 2012.

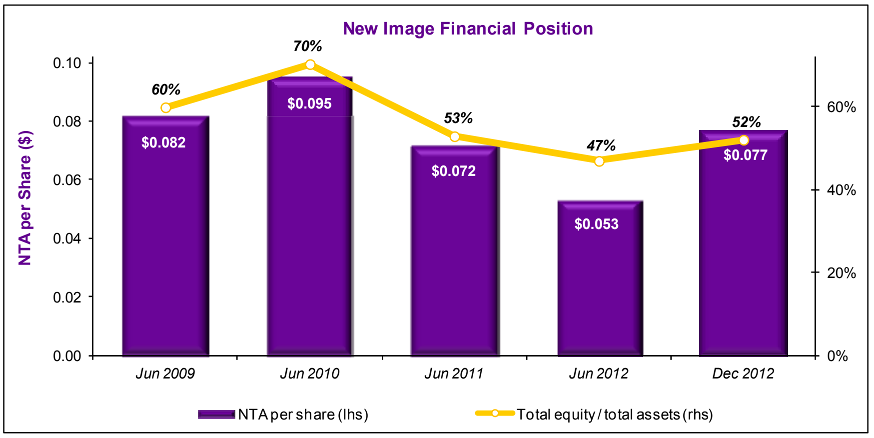
Trade and other payables consist mainly of trade payables (mainly in respect of dairy products and packaging products) and customer deposits.

Interest bearing debt (**IBD**) of $5.8 million as at 31 December 2012 consisted of:

- a loan of $2.5 million from the Clegg Family Trust. The loan is unsecured and repayable upon demand
- a loan of $0.4 million from Food Contractors (1979) Limited, representing vendor finance on the acquisition of the Food Contractors business in 2008. The loan is secured over the plant and equipment of the Food Contractors business and is repayable on 30 June 2013

- loans of $2.7 million from ANZ Bank New Zealand Limited (**ANZ**). ANZ has provided total loan facilities of $3.252 million to the Company under 2 flexible loan facilities. The loans are secured by a first ranking general security agreement in favour of ANZ over all tangible and intangible assets of New Image's New Zealand registered companies
- loans of $0.2 million from BOQ Equipment Finance Limited and Kiwi Asset Finance Limited for plant and equipment purchases. The loans are secured over the respective assets.

Acquisition contingent consideration of $0.4 million represents the estimated potential additional cash payments that the Company must make to Somnaceutics in respect of the acquisition of the Sleeptime business.



The Company's level of net tangible assets (**NTA**) per share has fluctuated between $0.10 as at 30 June 2010 and $0.05 as at 30 June 2012 due to dividends exceeding profits in the 2011 financial year and the loss in the 2012 financial year. The Company's equity : total assets ratio has followed a similar trend.

3.13 Cash Flows

A summary of New Image's recent cash flows is set out below.

Summary of Cash Flows

	Year to 30 Jun 09 (Audited) $000	Year to 30 Jun 10 (Audited) $000	Year to 30 Jun 11 (Audited) $000	Year to 30 Jun 12 (Audited) $000	6 Mths to 31 Dec 12 (Unaudited) $000
Net cash flow from operating activities	19,563	1,325	3,767	244	12,194
Net cash (used in) investing activities	(3,463)	(2,072)	(11,022)	(5,771)	(663)
Net cash (used in) / from financing activities	474	(2,678)	2,605	(696)	(2,908)
Net increase / (decrease) in cash held	16,574	(3,425)	(4,650)	(6,223)	8,623
Opening cash balance	5,424	22,107	18,880	13,030	6,768
Net foreign exchange differences	109	198	(1,200)	(39)	-
Closing cash balance	22,107	18,880	13,030	6,768	15,391

Source: New Image annual reports and 31 December 2012 management accounts

Net cash flow from operating activities has generally moved in line with profit levels each year.

Net cash used in investing activities represents investments and capital expenditure, including:

- $3.1 million for the Sleeptime business in the 2011 financial year
- a total of $4.0 million for the 61.725% shareholding in Living Nature in the 2011 and 2012 financial years
- $5.9 million in respect of the Paerata plant in the 2011 and 2012 financial years.

Net cash used in financing activities was primarily driven by:

- $1.9 million from the issue of shares in the 2009 financial year
- the payment of dividends of $1.1 million, $3.9 million and $3.2 million in the 2009, 2010 and 2011 financial years respectively
- the drawdown of $6.2 million of IBD in the 2011 financial year
- the repayment of $2.9 million of IBD in the first half of the 2013 financial year.

3.14 Capital Structure and Shareholders

New Image currently has 234,924,584 ordinary shares on issue held by 1,277 shareholders.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 4 February 2013 are set out below.

10 Largest Shareholders

Shareholder	No. of Shares Held	%
Graeme Clegg	76,824,242	32.70%
Exotic	60,264,864	25.65%
NIT	14,955,642	6.37%
HWM	11,866,551	5.05%
Sanny Prawiro	7,522,850	3.20%
NH Chua	6,912,500	2.94%
Chew Tay	6,193,910	2.64%
New Zealand Central Securities Depository Limited	5,370,166	2.29%
Wen-Chon Sun	2,574,126	1.10%
Walter Rigg, June Rigg and Bernard Allen	1,880,000	0.80%
	194,364,851	82.73%
Others (1,267 shareholders)	40,559,733	17.27%
Total	234,924,584	100.00%

Source: NZX Data

The Clegg Associates hold 152,044,748 shares (64.72%) through Mr Clegg's, Exotic's and NIT's shareholdings.

Under the HWM Agreement, Mr Clegg acquired 11,746,229 shares from HWM in November and December 2012 and will acquire a further 11,746,229 shares between November and December 2013.

HWM has agreed to accept 11,746,229 shares into the NIT Offer (5.00%).

The Company's directors other than Mr Clegg collectively hold 3.49% shares in the Company:

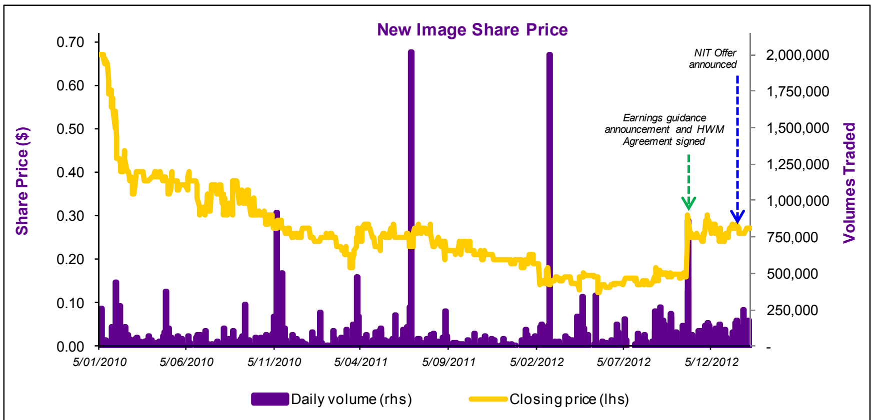
- NH Chua – 6,912,500 shares (2.94%)
- Alan Stewart – 1,100,000 shares (0.47%)
- Nigel Sinclair – 110,000 shares (0.05%)
- Max Parkin – 70,000 shares (0.03%).

Recent share dealings by these directors were:

- Mr Chua acquired 2,887,500 shares on 2 November 2011 via an off-market transaction at $0.27 per share
- Mr Stewart acquired his 1,100,000 shareholding on 2 November 2011 via an off-market transaction at a VWAP of $0.27.

3.15 Share Price History

Set out below is a summary of New Image's daily closing share price and daily volumes of shares traded from 5 January 2010 to 11 February 2013.



Source: NZX Data

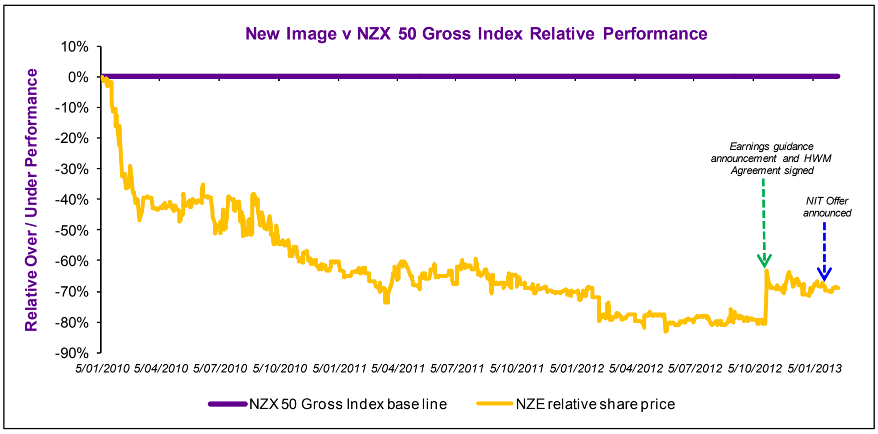
During the period, New Image's shares have traded on-market between $0.12 (on 22 May 2012) and $0.67 (on 7 and 8 January 2010) at a VWAP of $0.26.

The Company's share price rose by 56% from $0.16 to $0.25 on 24 October 2012 following the release of an improved earnings guidance to the market that day.

The largest daily volumes were recorded on:

- 30 June 2011, when 2,020,000 shares traded at a VWAP of $0.24
- 27 February 2012, when 2,000,000 shares traded at a VWAP of $0.14.

New Image's share price relative to the NZX 50 Gross Index (the **Index**) between 5 January 2010 and 11 February 2013 is set out below.



Source: NZX Data

New Image has significantly underperformed the Index between 5 January 2010 and the current date. The Company's share price has depreciated by 60% over the period whereas the Index has appreciated by 29%.

An analysis of on-market VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of total shares outstanding and as a percentage of the free float) up to 17 January 2013 (the last trading day before the NIT Offer was announced) is set out below.

New Image Share Trading up to 17 January 2013

	Low $	High $	VWAP $	Volume Traded (000)	Liquidity	
					Total Shares	Free Float
1 month	0.24	0.28	0.26	909	0.4%	1.1%
3 months	0.16	0.30	0.26	4,346	1.9%	5.2%
6 months	0.14	0.30	0.22	7,558	3.2%	9.1%
12 months	0.12	0.30	0.19	12,792	5.4%	15.4%

Source: NZX Data

New Image's shares closed at $0.27 on 17 January 2013. Following the announcement of the NIT Offer, 1,465,662 shares have traded (1.8% of the free float) in the range of $0.26 to $0.28 at a VWAP of $0.265.

4. Valuation of New Image

4.1 Introduction

The NIT Offer is a full takeover offer for all of the Company's shares. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the fairness of the NIT Offer is to compare the offer price of $0.26 per share with the full underlying value of New Image on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to New Image under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. The resulting value exceeds the price at which we would expect minority interests in New Image to trade in the absence of the NIT Offer.

This approach is in line with one of the Code's core foundations that all shareholders be treated equally and is consistent with Rule 57(4) of the Code (which deals with specific circumstances when an expert determination is required in respect of compulsory acquisition), which seeks to avoid issues of premia or discounts for minority shareholdings.

4.2 Standard of Value

We have assessed the fair market value of 100% of the shares in New Image.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

4.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of FCF arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

4.4 Valuation Approach

We have assessed the fair market value of New Image using the capitalisation of earnings method.

The capitalisation of earnings method that we have applied derives an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets. This ungeared business value is commonly referred to as the enterprise value and represents the market value of the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, licences, know-how and general business goodwill) that generate the operating income of the business.

In order to assess the value of New Image's shares, we have added the value of the Company's net cash and investment in associates to the enterprise value and adjustment is made for the value of the minority interests in the Company's subsidiaries.

4.5 Capitalisation of Earnings Valuation

Overview

We have assessed the Company's future maintainable earnings and have reviewed the market valuation and operational performance of comparable companies to derive a range of earnings multiples to apply to our assessed level of maintainable earnings.

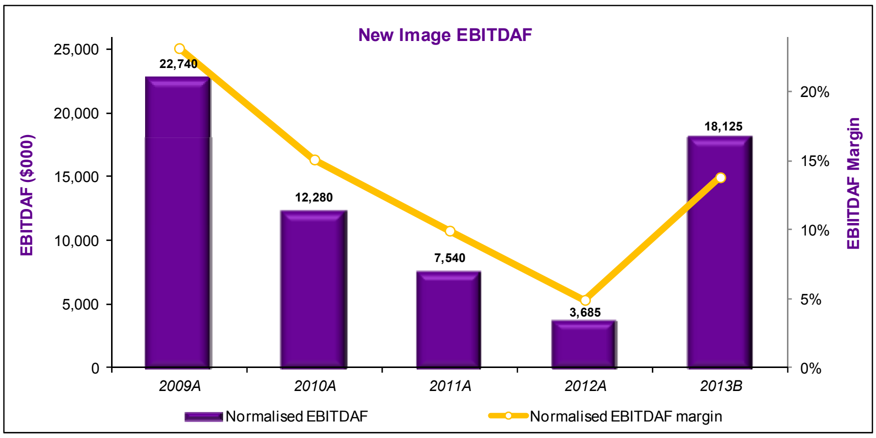
Future Maintainable Earnings

The evaluation of maintainable earnings involves an assessment of the level of profitability which (on average) the business can expect to generate in the future, notwithstanding the vagaries of the economic cycle.

The assessment of maintainable earnings is made after considering such factors as the risk profile of the business, the characteristics of the market in which it operates, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

We have used EBITDA as the measure of earnings. The use of EBITDA (or EBITDAF) and EBITDA multiples is common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer and also eliminates any distortions from the tax position of the business and differing accounting policies in respect of depreciation and the amortisation of intangible assets.

The analysis of the Company's financial performance in section 3.11 shows that EBITDAF has steadily reduced in the past 3 years and is budgeted to increase significantly in the 2013 financial year.



An analysis of New Image's EBITDAF shows:

- the Direct Selling business EBITDAF exceeds total EBITDAF each year
- Malaysia and Taiwan generate virtually all the Direct Selling business EBITDAF
- Retail / Wholesale EBITDAF is negligible
- underlying head office EBITDAF is in the vicinity of negative $2 million each year.

Given the volatility in the Company's historic earnings and the significant improvement in results in the first half of the 2013 financial year, we have assessed maintainable EBITDA by first estimating maintainable levels of revenue for the Direct Selling business (on a country by country basis) and the Retail / Wholesale business, then determining EBITDA levels for each business and for head office. We have assumed that there are no future fair value adjustments. Based on this approach, we assess New Image's future maintainable EBITDA to be in the vicinity of $18 million.

The assessed level of future maintainable EBITDA is based on estimated maintainable revenue in the vicinity of $115 million and implies maintainable NPBT in the vicinity of $14 million

The maintainable revenue and implied NPBT levels sit within the earnings guidance ranges for the 2013 financial year provided by the Company's directors on 1 February 2013.

The maintainable EBITDA level is similar to the budget for the 2013 financial year. While EBITDAF for the first half of the financial year is $2.8 million ahead of budget, the second half of the year is expected to be below budget due to more difficult trading conditions.

Earnings Multiple

Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to New Image or transactions involving businesses in the same industry.

Transaction Multiples

New Image is unique in so far as it is the only direct selling company listed on the NZSX. Accordingly, there is negligible recent evidence of comparable transactions in New Zealand that would be meaningful for the purposes of this valuation.

There is also limited evidence of comparable transactions overseas due to the infrequent sale of direct selling / MLM companies and the lack of disclosure in respect of the transactions (eg no earnings data was disclosed in respect of USANA Health Science's acquisition of Chinese direct selling company BabyCare for US$62 million in August 2010).

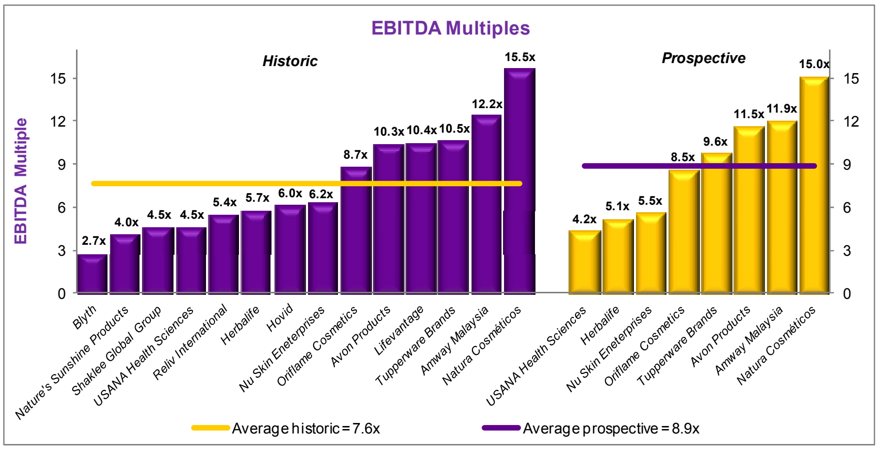
Set out at Appendix I is an analysis of 4 overseas transactions since 2005 involving direct selling / MLM companies. The transactions have been in a historic EBITDA multiple range of 6.2x to 14.0x at an average of 9.8x.

The most comparable transaction is the acquisition of DXN Holdings by Temasek Sejati in September 2011. This was at a historic EBITDA multiple of 6.2x.

Trading Multiples

Set out at Appendix II is an analysis of historic and prospective EBITDA multiples for direct selling / MLM companies that are broadly comparable with New Image.

The comparable companies' multiples are based on minority trades and as such do not include any premium for control.



Source: Capital IQ, data as at 8 February 2013

The analysis shows that the historic EBITDA trading multiples range from 2.7x to 15.5x at an average of 7.6x and the prospective EBITDA trading multiples range from 4.2x to 15.0x at an average of 8.9x.

Conclusion

New Image is significantly smaller than all of the comparable companies and is a much less liquid investment. Its earnings are very dependent upon on 2 countries and 2 products. A downturn in either country or either product would have a significant adverse effect on the Company's earnings. Therefore we consider an appropriate EBITDA multiple for New Image should be lower than those observed for the comparable companies to reflect the risks associated with such high levels of reliance on the 2 countries and 2 products.

We consider an appropriate prospective EBITDA multiple for New Image to be in the range of 4.0x to 5.0x.

Valuation Conclusion

We assess the value of New Image's existing business to be in the range of $72.0 million to $90.0 million as at the present date.

Valuation of New Image Business		
	Low $000	**High $000**
Future maintainable EBITDA	18,000	18,000
EBITDA multiple	4.0x	5.0x
Value of business	72,000	90,000

4.6 Valuation of New Image Shares

To derive the value of the New Image shares, the Company's net cash and investment in associates are added to the enterprise value and adjustment is made for the value of minority interests in the Company's subsidiaries.

The Company's net cash as at 31 December 2012 was $9.6 million:

- cash at bank - $15.4 million
- IBD - $5.8 million.

The Company has written down the value of its 30% shareholding in Golden Dairy to nil. Golden Dairy had NTA of negative $0.6 million as at 30 June 2012. We have ascribed no value to the Company's investment in Golden Dairy.

The Company has written down the value of its 61.725% shareholding in Living Nature to nil. Living Nature had NTA of $0.8 million as at 31 December 2012 and had recorded a loss of $0.7 million for the 6 months ended 31 December 2012. We have assumed that the value of the equity in Living Nature is negligible and have ascribed no value to the minority interest in Living Nature.

We assess the fair market value of 100% of the shares in New Image to be in the range of $81.6 million to $99.6 million as at 31 December 2012. This equates to a value of $0.35 to $0.42 per share.

Valuation of New Image Shares

	Low $000	High $000
Value of business	72,000	90,000
Net cash for valuation purposes	9,621	9,621
Investment in Golden Dairy	-	-
Value of equity	81,621	99,621
Minority interest in Living Nature	-	-
Value of New Image shares	81,621	99,621
Number of ordinary shares currently on issue	234,924,584	234,924,584
Value per ordinary share	$0.35	$0.42

The valuation represents the full underlying standalone value of New Image based on its current strategic and operational initiatives. The value exceeds the price at which we would expect minority interests in New Image to trade on the NZSX at the present time in the absence of a takeover offer.

4.7 Implied Multiples

The value range of $0.35 to $0.42 per share implies EBITDAF, EBIT, price earnings (**PE**) and NTA multiples as set out below. The earnings multiples are based on New Image's normalised results for the 2012 financial year and its budget for the 2013 financial year.

Implied Multiples

	30 Jun 12 (Normalised)		30 Jun 13 (Budget)	
	Low	High	Low	High
EBITDAF multiple	19.5x	24.4x	4.0x	5.0x
EBIT multiple	40.7x	50.8x	4.7x	5.9x
PE multiple	n/a	n/a	7.8x	9.5x
NTA multiple [1]	4.5x	5.5x	4.5x	5.5x

n/a not applicable as NPAT is negative

1 Based on NTA as at 31 December 2012

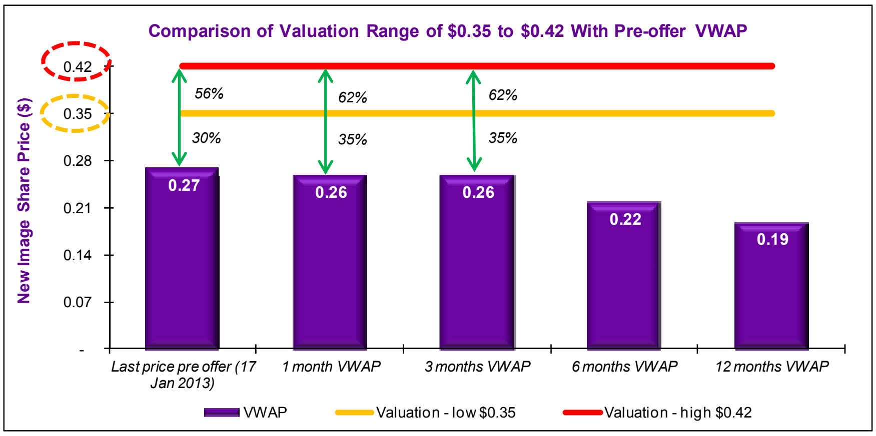
We consider the implied multiples based on the 2013 budget to be reasonable. We are of the view that the implied multiples based on the normalised 2012 results to be somewhat irrelevant as the Company's financial performance has changed significantly since 30 June 2012.

4.8 Implied Premium for Control

Purchasers may be prepared to pay a premium in an acquisition that will give them control of a company. Frequently, purchasers will pay more for control of a business where they perceive they can add substantial value to the business operations through synergies with other operations, changed management practices, reduced or eliminated competition, ensured sources of material supply or sales or other means.

Gaining control in itself does not create value - real value enhancement can only flow from factors that either increase future cash flows or reduce the risk of the combined entity. All rational bidders will have made some assessment of the value of the synergies that are available and the proportion of that value that they are prepared to pay away in order to complete the acquisition.

The bottom end of our valuation range of $0.35 represents premia ranging from 30% to 84% over recent share prices. The top end of our valuation range of $0.42 represents premia ranging from 56% to 121% over recent share prices.



As noted in section 3.15, trading in the Company's shares is extremely thin with only approximately 1.0% of the free float traded on average each month. In our view, the combination of an illiquid share and limited earnings guidance provided by the Company means that the observed share prices may not be a totally reliable indicator of the market value of New Image's shares. Furthermore, the market only became aware of the extent of the significant improvement in the Company's financial performance when an earnings guidance was released on 24 October 2012. The Company's share price immediately rose from $0.16 to $0.25 that day. Therefore the analysis of implied control premia is more relevant when focussed on just the one month and 3 month on-market VWAP:

- the bottom end of our valuation range of $0.35 represents a premium of 35% over the one month and 3 month VWAP
- the top end of our valuation range of $0.42 represents a premium of 62% over the one month and 3 month VWAP.

5. Sources of Information, Reliance on Information, Disclaimer and Indemnity

5.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the NIT takeover notice dated 17 January 2013
- the NIT Offer Document dated 1 February 2013
- the draft New Image Target Company Statement
- the New Image *FY13 Draft Plan Summary* dated 18 September 2012
- the New Image board minutes from February 2010 to January 2013
- the New Image annual reports for the years ended 30 June, 2009 to 2012
- the New Image management accounts for the years ended 30 June, 2009 to 2012
- the New Image management accounts for the 6 months ended 31 December 2012
- the New Image budget for the year ended 30 June 2013
- the HWM Agreement
- share price data and shareholder data from NZX Data and Capital IQ
- publicly available information regarding the health and wellness and direct selling / MLM industries.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Directors and the executive management of New Image and New Image's legal advisers.

The Independent Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information that the Independent Directors consider relevant to the NIT Offer that is known to them and that all the factual information provided by the Company contained in this report is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Independent Directors and the shareholders to understand all the relevant factors and to make an informed decision in respect of the NIT Offer.

5.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by New Image and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of New Image. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

5.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of New Image will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of New Image and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the Target Company Statement issued by New Image and have not verified or approved the contents of the Target Company Statement. We do not accept any responsibility for the contents of the Target Company Statement except for this report.

5.4 Indemnity

New Image has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any fraud, bad faith, negligence, misconduct or breach of law. New Image has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any reasonable costs in relation to any inquiry or proceeding initiated by any person as a result of or in connection with the preparation of this report (subject to the exceptions in the previous sentence).

6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

6.2 Independence

Simmons Corporate Finance has no conflict of interest that could affect its ability to provide an unbiased report.

Simmons Corporate Finance has not had any part in the formulation of the NIT Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the NIT Offer. We will receive no other benefit from the preparation of this report.

6.3 Declarations

An advance draft of this report was provided to the Independent Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

6.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to New Image's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited

12 February 2013

Appendix I

Comparable Company Transaction Multiples

Transaction Multiples						
Date	**Target**	**Bidder**	**Implied Enterprise Value (m)**	**EBITDA Multiple Hist.**	**EBITDA Multiple Pros.**	**Country**
Dec 12	ViSalus	Blyth	US$716	14.0x	n/a	USA
Sep 11	DXN Holdings	Temasek Sejati	MYR384	6.2x	n/a	Malaysia
Aug 10	BabyCare	USANA Health Sciences	US$62	n/a	n/a	China
Aug 05	Sara Lee direct selling	Tupperware Brands	US$556	9.1x	n/a	USA
		Minimum		6.2x		
		Average		9.8x		
		Maximum		14.0x		

n/a: not available

Source: Capital IQ, brokers reports, independent expert's reports, media releases

ViSalus / Blyth

Blyth acquired an additional 7.6% stake in ViSalus for US$57.4 million on 18 December 2012. Post acquisition, Blyth holds a 80.4% stake in ViSalus.

ViSalus is a direct-to-consumer personal health product company. It provides various branded weight-management products, nutritional supplements and energy drinks in the USA and Canada. It offers weight management products, including *Vi-Shape*, a meal replacement shake to promote weight loss through health flavour mix-in system, *Vi-Trim*, an appetite-suppressant drink mix, nutritional cookies and *Vi-Slim Metab-Awake!* tablets that are metabolism supporting tablets. The company also provides nutritional supplements and energy drinks. The company was founded in 2005 and is headquartered in Michigan, USA.

An overview of Blyth is set out in Appendix II.

DXN Holdings / Temasek Sejati

Temasek Sejati made a conditional takeover offer to acquire the remaining 33.4% stake in DXN Holdings for MYR131 million on 5 September 2011. The offer was conditional on 90% acceptance to ensure 100% of the company could be acquired. The offer was extended on 31 October 2011 and on 14 November 2011 the offer became unconditional.

DXN Holdings manufactures and sells health supplements and other products on a direct selling MLM basis. Its products include health food supplements, food and beverage products, household products, personal care products and skin care and cosmetic products, as well as water treatment products such as energy water systems. The company is also involved in the cultivation of ganoderma and mycelium, the manufacture of monascus, vinegar, health food, traditional medicine, confectioneries and other food products and the sale of herbal products and food supplements. The company operates primarily in Malaysia, India, the Philippines, the United Arab Emirates, Thailand and Mexico. It was the 28th largest direct selling company in the world in 2011 (by revenue). DXN Holdings was founded in 1993 and is headquartered in Alor Setar, Malaysia.

BabyCare / USANA Health Sciences

USANA Health Sciences acquired BabyCare for US$62.2 million on 16 August 2010.

BabyCare is a direct selling company that manufactures, develops and sells nutritional products for the entire family and infant nutrition. The company sells its products through distributors and retail outlets. BabyCare was founded in 1999 and is based in Beijing, China.

An overview of USANA Health Sciences is set out in Appendix II.

Sarah Lee Direct Selling Business / Tupperware Brands

Tupperware Brands acquired the direct selling business of Sara Lee Corporation on 10 August 2005 for US$556 million in cash.

Sara Lee's direct selling business sells consumable beauty and personal care products in Latin America and Asia. The division markets cosmetics, skin care, fragrances, toiletries, nutriceuticals and apparels. Its brands include *House of Fuller*, *Nutrimetics*, *NaturCare*, *Avroy Shlain*, *Nuvo Cosmeticos*, *Swissgarde* and *House of Sara Lee*. The division is based in Illinois, USA.

An overview of Tupperware Brands is set out in Appendix II.

Appendix II

Comparable Company Trading Multiples

Trading Multiples						
Company	Market Capitalisation (US$m)	Enterprise Value (US$m)	EBITDA Multiple		PE Multiple	
			Hist.	Pros.	Hist.	Pros.
Amway Malaysia Holdings	590	537	12.2x	11.9x	18.6x	18.5x
Avon Products	7,494	9,702	10.3x	11.5x	10.3x	23.0x
Blyth	248	291	2.7x	n/a	5.1x	n/a
Herbalife	3,865	4,047	5.7x	5.1x	9.3x	7.7x
Hovid	57	66	6.0x	n/a	13.3x	n/a
Lifevantage	291	265	10.4x	n/a	21.4x	n/a
Natura Cosméticos	11,199	11,685	15.5x	15.0x	24.9x	24.7x
Nature's Sunshine Products	237	169	4.0x	n/a	8.4x	n/a
Nu Skin Enterprises	2,449	2,309	6.2x	5.5x	11.9x	10.5x
Oriflame Cosmetics	1,903	2,256	8.7x	8.5x	12.7x	11.7x
Reliv International	15	14	5.4x	n/a	13.7x	n/a
Shaklee Global Group	207	261	4.5x	n/a	11.3x	n/a
Tupperware Brands	4,206	4,704	10.5x	9.6x	22.2x	13.4x
USANA Health Sciences	547	476	4.5x	4.2x	8.5x	7.8x
	Minimum		2.7x	4.2x	5.1x	7.7x
	Average		7.6x	8.9x	13.7x	14.7x
	Maximum		15.5x	15.0x	24.9x	24.7x

n/a: not available

Source: Capital IQ, data as at 8 February 2013

Amway Malaysia Holdings

Amway Malaysia Holdings distributes consumer products principally under the *Amway* name worldwide. The company offers nutrition and wellness products, including food supplements, antioxidants, children's supplements, herbal supplements, meal replacement supplements, fortified beverages, bee treasures, tropical herbs, and wellness packs under the *NUTRILITE* brand name and skin care, cosmetics, and beauty accessories under the *ARTISTRY* brand name. It also provides home care products and home tech products. Its parent company Amway was the 2nd largest direct selling company in the world in 2011 (by revenue). The company was founded in 1976 and is headquartered in Petaling Jaya, Malaysia.

Avon Products

Avon Products manufactures and markets beauty and related products worldwide. It offers beauty products (fragrances, skin care and personal care products), fashion products, children's products and home products (gift and decorative products, house wares, entertainment and leisure products) and nutritional products. The company markets its products through direct selling and independent representatives. It was the largest direct selling company in the world in 2011 (by revenue). Avon Products was founded in 1886 and is headquartered in New York, USA.

Blyth

Blyth operates as a multi-channel company focusing on the direct to consumer market. It operates in 3 segments - Direct Selling, Catalog & Internet and Wholesale. The Direct Selling segment designs, manufactures or sources, markets and distributes a line of products including scented candles, candle-related accessories and other fragranced products under the *PartyLife* brand name. It also offers gourmet foods under the *Two Sisters Gourmeta* brand as well as operates ViSalus Sciences, a direct selling business that focuses on selling meal replacement shakes, weight management products, nutritional supplements, snack cookies and energy drinks. This segment sells its products through networks of independent sales consultants and promoters. Blyth was founded in 1976 and is headquartered in Connecticut, USA.

Herbalife

Herbalife is a network marketing company. It sells weight management, nutritional supplement, energy, sports, and fitness, and personal care products worldwide. The weight management product portfolio includes meal replacement, shakes, weight-loss enhancers, and appetite suppressors, as well as a range of healthy snacks. The targeted nutrition products comprise dietary supplements, which contain vitamins, minerals, and natural ingredients that support good health. The energy, sports, and fitness products consist of energy and isotonic drinks, as well as *Herbalife24*, a line of sports products that support a healthy active lifestyle. The outer nutrition products include skin cleansers. toners, moisturisers, facial masks, shampoos and conditioners, body-wash items, and a selection of fragrances for men and women, as well as anti-aging products. The company also sells literature and promotional materials to support its distributors' marketing efforts, as well as start-up kits for new distributors. Herbalife offers its products through retail stores, sales representatives, sales officers and independent service providers. It was the 3rd largest direct selling company in the world in 2011 (by revenue). The company was founded in 1980 and is based in Grand Cayman, the Cayman Islands.

Hovid

Hovid manufactures and sells pharmaceutical, herbal and consumer products. Its pharmaceutical products include special drug delivery systems, ethical products comprising anti-biotics, anti-diabetics, anti-hypertensives, anti-malarial, and anti-inflammatory analgesics, as well as dietary supplements. Its consumer products consist of cosmetics and toiletries. The company is also involved in the extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemicals / biodiesel products. In addition, it engages in the trade of medical supplies, pharmaceuticals and consumer products: marketing of health and wellness products via the MLM direct interest model and provision of analytical and stability testing services for pharmaceutical and healthcare products. Hovid operates in Asia, Africa, North and South America, Europe and the Pacific Islands. The company, formerly known as Ho Yan Hor, was founded in 1950 and is based in Ipoh, Malaysia.

Lifevantage

Lifevantage engages in the identification, research, development, manufacture and distribution of nutraceutical dietary supplements in the USA. The company offers *Protandim*, a dietary supplement that combats oxidative stress by enhancing the body's natural antioxidant protection at the genetic level and *TrueScience*, an anti-aging skin care product. It sells its products through a network of independent distributors, as well as preferred, retail and direct customers in the USA, Japan, Mexico and Canada. The company was founded in 2003 and is based in California, USA.

Natura Cosméticos

Natura Cosméticos develops, produces, distributes and sells cosmetics, fragrances and hygiene products through a direct selling network. It is also involved in product and technology development and market research and provision of in vitro research and testing services. It was the 4th largest direct selling company in the world in 2011 (by revenue). It operates primarily in Brazil, Argentina, Chile, Peru, Mexico, Colombia and Latin America. The company is headquartered in Itapecerica da Serra, Brazil.

Nature's Sunshine Products

Nature's Sunshine Products is a natural health and wellness company. It manufactures and direct sells nutritional and personal care products worldwide. The company offers herbal products, vitamin and mineral supplements and personal care products. In addition, the company offers various other products such as homeopathic products, powders and sales aids. It sells its products to a sales force of independent distributors and managers who use the products themselves or resell them to other independent distributors or consumers. It was the 32nd largest direct selling company in the world in 2011 (by revenue). Nature's Sunshine Products was founded in 1972 and is based in Utah, USA.

Nu Skin Enterprises

Nu Skin Enterprises develops and distributes anti-aging personal care products and nutritional supplements worldwide. The company sells its personal care products under the *Nu Skin* brand and nutritional supplements under the *Pharmanex* brand. It also sells *Vitameal*, a nutritious meal product to feed malnourished children. The company sells its products primarily through a network of independent distributors in Asia, the Americas, Greater China, Europe and the Pacific. It also sells products through its 40 retail stores in China. It was the 9th largest direct selling company in the world in 2011 (by revenue). The company was founded in 1984 and is headquartered in Utah, USA.

Oriflame Cosmetics

Orillame Cosmetics manufactures and sells skin care and cosmetic products worldwide. The company's product categories include skin care, colour cosmetics, fragrance, personal and hair care, accessories and wellness. The company supplies its products through direct sales. It was the 8th largest direct selling company in the world in 2011 (by revenue). Oriflame Cosmetics was founded in 1967 and is based in Luxembourg.

Reliv International

Reliv International develops, manufactures and markets nutritional supplements. These include meal replacements, basic nutritional supplements, sports nutritional supplements and personal care products. The company markets and sells its products through a network of independent distributors in the USA, Australia, Austria, Brunei, Canada, Germany, Indonesia, Ireland, Malaysia, Mexico, the Netherlands, New Zealand, the Philippines, Singapore and the UK. The company was founded in 1984 and is headquartered in Missouri, USA.

Shaklee Global Group

Shaklee Global Group sells nutritional supplements, personal care products and household cleaners. The company's products comprise nutrition-oriented food and beverages, skin care, make up and hair care and body care products and discovery toys. It has operations in the United States, Japan, Canada, Mexico, Malaysia, Taiwan, China and internationally. It was the 21st largest direct selling company in the world in 2011 (by revenue). The company was founded in 1956 and is headquartered in Tokyo, Japan.

Tupperware Brands

Tupperware Bands operates as a direct seller of various products across a range of brands and categories through an independent sales force worldwide. It engages in the manufacture and sale of preparation, storage and serving solutions for the kitchen and home, as well as a line of kitchen cookware and tools, microwave products, microfibre textiles and gifts under the *Tupperware* brand. The company also manufactures and distributes beauty and personal care products and nutritional products. It sells its products directly to distributors, directors, managers and dealers. It was the 7th largest direct selling company in the world in 2011 (by revenue). The company was founded in 1996 and is headquartered in Florida, USA.

USANA Health Sciences

USANA Health Sciences develops, manufactures, distributes and sells nutritional and personal care products worldwide. It offers the *USANA Nutritionals* product line which consists of vitamin and mineral supplements, optimizers that target specific needs and foods comprising low-glycemic meal replacement shakes, snack bars and other related products that offer optimal macro-nutrition. Its *Sense* product line comprises personal care products that support healthy skin and hair. USANA Health Sciences primarily distributes its products through a network marketing system of independent distributors. It was the 17th largest direct selling company in the world in 2011 (by revenue). The company was founded in 1992 and is headquartered in Utah, USA.