



**Preliminary Final Report of  
Vita Life Sciences Limited  
For the Year Ended 31 December 2009**

This Preliminary Final Report is provided to the Australian Securities Exchange (“ASX”) under ASX Listing Rule 4.3A

Current Reporting Period: Financial Year Ended 31 December 2009

Previous Corresponding Period: Financial Year Ended 31 December 2008

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# Name of Entity: Vita Life Sciences Limited

ABN: 35 003 190 421

## Results for announcement to the market

		Percentage Change %	2009 A\$
<b>Revenue</b>	up	18.52	17,015,128
<b>Profit from continuing operations before tax and finance costs</b>	down	123.12	(107,466)
<b>Profit before income tax</b>	down	208.97	(333,299)
<b>Net profit after tax</b>	down	192.85	(328,193)
<b>Net profit attributable to members</b>	down	192.85	(328,193)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	
Interim dividend per share	Nil	Nil	
Final dividend per share	Nil	Nil	

Record date for determining entitlements to dividends

# Commentary on Results

**Brief explanation of any of the figures above necessary to enable the figures to be understood**

## Financial Overview

Vita Life Sciences Limited's ("Group") sales revenue of \$17.02 million for the financial year was \$2.66 million or 18.5% higher than 2008. Strong sales growth was achieved in two of the Group's principal markets (measured in local currency); Australia and Malaysia increased by 26.5% and 10.9% respectively.

The Group's loss of \$0.31 million (2008: profit after tax of \$0.35 million) was not representative of the performance of the business in 2009 as it includes a \$0.63 million charge of legal and professional costs associated with the Group's claim against the Commonwealth of Australia ("Pan TGA Claim").

On a normalised basis, profit after tax was \$0.31 million (excluding the Pan TGA Claim costs) compared to operating loss of \$0.69 million in 2008 (excluding proceeds from Pan Liquidator of \$1.04 million).

Other key financial results were:

- Variable operating expenses (distribution and marketing expenses) were equivalent to 15.1% of sales revenue (2008: 16.6%). The improvement in variable operating costs as a percentage of sales revenue was mainly due to the implementation of cost control measures;
- Fixed operating expenses (occupancy, administrative and sundry expenses) were \$7.34 million (2008: \$6.74 million), before \$0.63 million Pan TGA Claim costs. Higher fixed operating expenses mainly arose from increase salaries as a result of Health division's expanding staff base for its New and Established business units and higher sales incentives paid in line with sales revenue growth; and
- Net interest costs increased to \$0.23 million (2008: \$0.16 million) as a result of higher average borrowings of \$1.30 million in 2009 (2008: \$1.05 million) in line with higher trading activities.

## Segment Results

The Group's divisional result for the financial year is summarised in the table below.

	Health \$	Investment \$	Total 2009 \$	Total 2008 \$
<b>Year ended 31 December</b>				
<b>Result</b>				
Segment results	787,654	(16,039)	771,615	(357,464)
Pan TGA Claim (costs) / receipts			(634,548)	1,042,012
Unallocated expenses	-	-	(230,536)	(194,677)
(Loss) / profit before tax and finance costs			(93,469)	489,871
Finance costs			(239,830)	(184,000)
(Loss) / profit before income tax			(333,299)	305,871
Income tax credit			5,106	47,606
<b>Net (loss) / profit for the year</b>			(328,193)	353,477

# Commentary on Results (Continued)

## Segment Results (Continued)

### *Health Division*

Key financial results of Health division were:

- i. Sales revenue grew by 18.5%;
- ii. Established business units' sales revenue grew by 17.3%;
- iii. New business units sales grew by 122% to \$0.42 million;
- iv. Gross profit margins consistent at 60.3% (2008: 59.7%); and
- v. Normalised EBIT of \$0.78 million (2008: Loss EBIT of \$0.29 million)
- vi. Investment cost in new business units was \$0.71 million (2008: \$0.60 million).

The Health division's established business units remained the key driver of the Group with sales growth of 17.3% during the financial year. The Herbs of Gold and VitaHealth brands sold in Australia, Malaysia and Singapore increased their contribution to the Group's profit in 2009. The New business units in China, Malaysia and Thailand made satisfactory progress with sales revenue more than doubling from 2008.

Overall, Health division's normalised EBIT of \$0.78 million (2008: Loss EBIT of \$0.29 million) demonstrated improved performance despite the impact of the global financial crisis in 2009.

### *Investment division*

The Group has an equity interest of 6.3% (profit share of 20.1%) in a property project in Malaysia. The Investment division did not record any revenue during the financial year and the loss of \$0.02 million (2008: \$0.08 million) was mainly administrative costs.

## **Pan TGA Claim**

From 2003 onwards, the Group suffered substantial losses as a consequence of the Pan product recall, which resulted from regulatory action taken by the Therapeutic Goods Administration ("TGA") against Pan in April 2003. The Group filed a Statement of Claim against the Commonwealth of Australia in April 2009 for alleged misfeasance in public office and negligence by the TGA and its officers.

A substantial part of the Group's accumulated losses at the end of 2005 of \$50.0 million was related to the Pan product recall. The loss of brand goodwill and total quantum of the Group's damages is currently being evaluated by an independent expert.

## **Cash Flow Analysis**

Foreign currency translation and Pan TGA Claim costs contributed \$1.26 million of the Group's net operating outflow of \$1.40 million (2008: Operating net inflow of \$0.57 million). The increase in receivables of \$0.66 million was in line with the Group's substantial sales growth.

Overall, the net cash out flow for the period was \$0.40 million (2008: Net cash inflow \$0.75 million), which included the proceeds from the Group's share issue of \$1.25 million.

At the end of 1HY09, the Group's cash and cash equivalent position was \$1.08 million (2008: \$1.29 million).

# Commentary on Results (Continued)

## Cash Flow Analysis (Continued)

The table below showed the cash movements during the financial year.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation (EBITDA)</b>	674,354	(415,181)
Pan TGA Clam (costs) / receipts	(634,548)	1,042,012
	<b>39,806</b>	<b>626,831</b>
<b>Changes in working capital:</b>		
(Increase) / decrease in receivables	(664,023)	(273,459)
Decrease / (increase) in inventories	33,469	(569,528)
Decrease / (increase) in other assets	94,197	(37,512)
(Decrease) / increase in trade payables	(47,084)	400,255
(Decrease) / increase in income tax payables	(40,026)	18,678
Increase in other payables and accruals	15,983	55,094
Adjustments for non-cash income and expense items:	15,252	72,340
Effect of foreign exchange translation of assets and liabilities	(631,389)	386,151
	<b>(1,183,815)</b>	<b>678,850</b>
Interest (net)	(225,833)	(159,040)
Tax benefit	5,106	47,606
<b>Net cash flows (used in) / from operating activities</b>	<b>(1,404,542)</b>	<b>567,416</b>
Net cash flows used in investing activities	(211,515)	(76,211)
Net cash flows from financing activities	1,216,317	263,733
	<b>(399,740)</b>	<b>754,938</b>

## Outlook for 2010

The Health division's Established business units sales are expected to continue the growth trend established in 2009 into 2010. The New business units in China, Malaysia and Thailand are also expected to continue to expand. In addition, the Group has obtained approvals to commence multi-level marketing operation in Thailand and to sell over-the-counter products in Vietnam from the relevant authorities. These new businesses are expected to commence in the third quarter of 2010.

The Group's operating performance remains encouraging and the Directors expect to report improved EBIT over the preceding period. The Directors focus on increasing sales, profitability and market share in the long term remains unchanged.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 \$	2008 \$
<b>CONTINUING OPERATIONS</b>			
Sale of goods		17,015,128	14,356,081
Cost of sales		(6,751,168)	(5,792,221)
<b>Gross profit</b>		<b>10,263,960</b>	<b>8,563,860</b>
Other income	3 (a)	261,111	1,145,525
Distribution expenses		(1,120,518)	(1,002,180)
Marketing expenses		(1,453,519)	(1,374,520)
Occupancy expenses		(577,319)	(543,134)
Administrative expenses	3 (b)	(7,159,534)	(5,982,817)
Other expenses	3 (c)	(239,012)	(213,896)
Share of associates loss		(82,635)	(127,927)
<b>(Loss) / profit from continuing operations before interest and taxes</b>		<b>(107,466)</b>	<b>464,911</b>
Finance income	3 (d)	13,997	24,960
Finance costs	3 (e)	(239,830)	(184,000)
<b>(Loss) / profit before income tax</b>		<b>(333,299)</b>	<b>305,871</b>
Income tax credit	5	5,106	47,606
<b>Net (loss) / profit for the year</b>		<b>(328,193)</b>	<b>353,477</b>
<b>Other comprehensive (expense) / income after income tax</b>			
Exchange differences on translating foreign controlled entities		(777,983)	597,563
Other comprehensive (expense) / income for the year, net of income tax		(777,983)	597,563
<b>Total comprehensive (expense) / income for the year</b>		<b>(1,106,176)</b>	<b>951,040</b>
Profit attributable to minority interest		-	-
(Loss) / profit attributable to members of the parent		(328,193)	353,477
		(328,193)	353,477
Total comprehensive (expense) / income attributable to:			
Minority interest		(133,005)	83,478
Members of the parent		(973,171)	867,562
		(1,106,176)	951,040
<b>Earnings per share (cents per share)</b>			
	4		
- basic earnings per share for continuing operations		(0.65)	0.73
- basic earnings per share		(0.65)	0.73
- diluted earnings per share		(0.65)	0.73

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

# Statement of Financial Position

as at 31 December 2009		2009	2008
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,075,743	1,292,810
Trade and other receivables	7	2,803,291	2,144,768
Inventories	8	2,501,197	2,534,666
Other current assets	9	222,387	244,251
<b>Total Current Assets</b>		<b>6,602,618</b>	<b>6,216,495</b>
<b>Non Current Assets</b>			
Trade and other receivables	7	489,764	622,768
Investment in associates	10	1,468,949	1,450,086
Property, plant and equipment	11	139,976	229,355
Intangible assets	12	52,858	73,710
Deferred tax assets	5	55,901	48,174
<b>Total Non Current Assets</b>		<b>2,207,448</b>	<b>2,424,093</b>
<b>Total Assets</b>		<b>8,810,066</b>	<b>8,640,588</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	3,269,652	3,179,145
Interest bearing loans and borrowings	14	1,320,821	1,277,610
Current income tax liability		46,097	86,123
Provisions	15	254,113	235,675
<b>Total Current Liabilities</b>		<b>4,890,683</b>	<b>4,778,553</b>
<b>Non Current Liabilities</b>			
Interest bearing loans and borrowings	14	13,177	8,631
Provisions	15	5,325	7,780
<b>Total Non Current Liabilities</b>		<b>18,502</b>	<b>16,411</b>
<b>Total Liabilities</b>		<b>4,909,185</b>	<b>4,794,964</b>
<b>Net Assets</b>		<b>3,900,881</b>	<b>3,845,624</b>
<b>Equity</b>			
Contributed Equity	16	45,699,176	44,549,823
Accumulated losses		(40,756,672)	(40,428,479)
Employee share based payments reserve		42,089	30,009
Foreign currency translation reserve		(1,573,476)	(928,498)
<b>Parent entity interest</b>		<b>3,411,117</b>	<b>3,222,855</b>
Minority interest		489,764	622,769
<b>Total Equity</b>		<b>3,900,881</b>	<b>3,845,624</b>

The accompanying notes should be read in conjunction with the above Balance Sheet



# Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		18,370,623	14,934,436
Payments to suppliers and employees		(19,524,809)	(15,780,047)
Borrowing costs		(221,706)	(176,786)
Income tax credit (paid) / receivable		(42,647)	18,110
Interest received		13,997	24,960
Proceeds from Pan Pharmaceuticals Ltd Liquidator		-	1,042,012
Income from settlement of legal case		-	355,000
Recovery of receivables previously written off		-	149,731
<b>Net cash flows (used in) / from operating activities</b>	6 (e)	<b>(1,404,542)</b>	<b>567,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		2,577	319
Purchase of property, plant and equipment		(70,604)	(76,530)
Additional investment in associates		(143,488)	-
<b>Net cash flows used in investing activities</b>		<b>(211,515)</b>	<b>(76,211)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,250,000	-
Share issue costs		(54,302)	-
Shares bought back		(46,345)	-
Proceeds from external borrowings		109,908	499,802
Loans to associated entities		(42,944)	(236,069)
<b>Net cash flows from / (used in) from financing activities</b>		<b>1,216,317</b>	<b>263,733</b>
Net (decrease) / increase in cash and cash equivalents		(399,740)	754,938
Net foreign exchange differences		244,824	(46,750)
Cash and cash equivalents at beginning of the year		1,230,659	522,471
<b>Cash and cash equivalent at end of the year</b>	6 (d)	<b>1,075,743</b>	<b>1,230,659</b>

The accompanying notes should be read in conjunction with the above Cash Flow Statement

# Statement of Changes in Equity

for the year ended 31 December 2009

	Contributed Equity \$	Accumulated Losses \$	Employee Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Attributable to Equity Holders of Parent \$	Minority Interests \$	Total \$
<b>CONSOLIDATED</b>							
<b>Balance at 1 Jan 2008</b>	44,280,194	(40,449,910)	15,153	(1,442,583)	2,402,854	476,874	2,879,728
Profit attributable to members of parent entity	-	353,477	-	-	353,477	-	353,477
Acquisition of minority interest	269,629	(332,046)	-	-	(62,417)	62,417	-
Employee share option scheme	-	-	14,856	-	14,856	-	14,856
Total comprehensive income for the year	-	-	-	514,085	514,085	83,478	597,563
<b>Balance at 31 Dec 2008</b>	<b>44,549,823</b>	<b>(40,428,479)</b>	<b>30,009</b>	<b>(928,498)</b>	<b>3,222,855</b>	<b>622,769</b>	<b>3,845,624</b>
<b>Balance at 1 Jan 2009</b>	44,549,823	(40,428,479)	30,009	(928,498) <sup>▼</sup>	3,222,855	622,769	3,845,624
Loss attributable to members of parent entity	-	(328,193)	-	-	(328,193)	-	(328,193)
Issue of share capital	1,250,000	-	-	-	1,250,000	-	1,250,000
Share issue costs	(54,302)	-	-	-	(54,302)	-	(54,302)
Shares bought back	(46,345)	-	-	-	(46,345)	-	(46,345)
Employee share option scheme	-	-	12,080	-	12,080	-	12,080
Total comprehensive expense for the year	-	-	-	(644,978)	(644,978)	(133,005)	(777,983)
<b>Balance at 31 Dec 2009</b>	<b>45,699,176</b>	<b>(40,756,672)</b>	<b>42,089</b>	<b>(1,573,476)</b>	<b>3,411,117</b>	<b>489,764</b>	<b>3,900,881</b>

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

# Notes to the Financial Statements

For the Year Ended 31 December 2009

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies adopted in the preparation of the financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries ("the Group") as at 31 December 2009. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Vita Life Sciences Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests represent the interests in Vita Life Sciences Sdn Bhd not held by the Group. Minority interests are allocated their share of net profit or loss after tax in the income statement and are presented within Equity in the consolidated balance sheet, separately from the parent shareholders' equity.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus cost directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising from the issue of equity instruments are recognised directly in equity.

Except for non-current assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

### (e) Foreign currency translation

#### (i) Functional and presentation currency

Both the functional and presentation currency of Vita Life and its Australian subsidiaries are Australian dollars (\$).

The functional currency of the main operating overseas subsidiaries VitaHealthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

#### (ii) Transactional and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (h) Inventory

Inventories including raw materials are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling costs.

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

Raw materials – purchase cost on a first-in, first-out basis.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (i) Property, plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Depreciation

The depreciable amounts of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over the estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	<b><u>Rate</u></b>	<b><u>Method</u></b>
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method
Motor Vehicles	20-50%	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

### (j) Goodwill and Intangibles

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

From the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (j) Goodwill and Intangibles (continued)

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

#### **Intangibles**

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at that cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on prospective basis.

A summary of the policies applied to the Group's intangible asset is as follows:

	<u><b>Patents and licences</b></u>	<u><b>Development costs</b></u>
<b>Useful lives</b>	Indefinite	Finite
<b>Method used</b>	Not depreciated or revalued	3 years – Straight line
<b>Internally generated / Acquired</b>	Acquired	Internally generated
<b>Impairment test / Recoverable amount testing</b>	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end annually for indicator of impairment

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (k) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are normally settled within 30 to 90 days.

### (m) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **Borrowing costs**

Borrowing costs are recognised as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (o) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories.

### (p) Issued capital

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

### (q) Leases

#### *Finance Leases*

Leases of fixed assets, which substantially transfer to the Group all risks and benefits incidental to ownership of the leased item, but not the legal ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (q) Leases (continued)

#### ***Operating Leases***

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

### (r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### ***Sale of goods***

Revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Consequently transfers of goods to major distributors are considered as consignment inventory and revenue is only recognised upon the achievement of "in-market" sales.

#### ***Interest***

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### ***Dividends***

Revenue is recognised when the Group's right to receive the payment is established.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (s) Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (s) Taxes (continued)

#### *Tax consolidation*

The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was 30 June 2003.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "stand alone basis without adjusting for intercompany transactions" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

### (t) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- where the GST incurred is not recoverable from the Australian Taxation Office ("ATO"), and is therefore recognised as part of the asset's cost or as part of the expense item.
- Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet. Cash flows are presented in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (u) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### ***Financial assets at fair value through profit and loss***

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### **De-recognition of financial instruments**

##### ***Financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

##### ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (u) Financial instruments (continued)

#### ***Financial assets carried at amortised cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

#### ***Financial assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

### (v) Earnings per share

#### ***Basic earnings per share***

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### ***Diluted earnings per share***

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (w) Share-based payment transactions

#### *(i) Equity settled transactions:*

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

The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Vita Life Sciences Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (x) New accounting standards and interpretations not yet adopted

There are no changes to accounting policies applicable for the financial year ended 31 December 2009 for the Company and the consolidated entity.

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (x) New accounting standards and interpretations not yet adopted (continued)

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies (continued)

### (x) New accounting standards and interpretations not yet adopted (continued)

AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.

AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.

AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.

AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 2 Segment Information

The Group's primary segment reporting format is geographical segment as the Group's risk and returns are affected predominantly by the differences in the locations it operates. Secondary segment information reported is business segment.

### Geographical segment

The consolidated entity operates in the regions identified as Australia, Malaysia, Singapore and others.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2009 and 31 December 2008.

	Continuing Operations				Total
	Australia	Singapore	Malaysia	Others	
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2009</b>					
<b>Revenue</b>					
Sales to external customers	8,389,030	3,316,915	5,166,876	142,307	17,015,128
<b>Segment results</b>					
(Loss) / profit before tax and finance costs	(317,109) *	278,728	141,988	(114,441)	(10,834)
Finance costs	(221,959)	(1,951)	(14,370)	(1,550)	(239,830)
Share of loss of associates	-	-	(82,635)	-	(82,635)
Loss before income tax					(333,299)
Income tax credit					5,106
<b>Net loss for the year</b>					<u>(328,193)</u>
<b>Assets and liabilities</b>					
Segment assets	3,724,705	1,083,374	2,321,405	211,633	7,341,117
Investment in associates					1,468,949
Total assets					<u>8,810,066</u>
Segment liabilities	3,179,728	642,922	1,063,385	23,150	4,909,185
Total liabilities					<u>4,909,185</u>
<b>Other segment information</b>					
Capital expenditure	(4,134)	-	(48,399)	(18,071)	(70,604)
Depreciation	(31,119)	(17,234)	(79,549)	(2,423)	(130,325)
Amortisation	-	(7,230)	(9,717)	-	(16,947)

\* Includes Pan TGA Claim costs of \$0.63 million.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 2 Segment Information (continued)

	Continuing Operations				Total \$
	Australia \$	Singapore \$	Malaysia \$	Others \$	
<b>Year ended 31 December 2008</b>					
<b>Revenue</b>					
Sales to external customers	6,628,838	3,075,643	4,450,436	201,164	14,356,081
<b>Segment results</b>					
Profit / (loss) before tax and finance costs	425,383 <sup>^</sup>	184,007	100,707	(92,299)	617,798
Finance costs	(174,979)	(2,256)	(8,226)	1,461	(184,000)
Share of loss of associates	-	-	(127,927)	-	(127,927)
Profit before income tax					305,871
Income taxes					47,606
<b>Net profit for the year</b>					<u>353,477</u>
<b>Assets and liabilities</b>					
Segment assets	3,574,950	1,462,226	1,953,018	200,308	7,190,502
Investment in associates					1,450,086
Total assets					<u>8,640,588</u>
Segment liabilities	2,999,924	732,049	950,265	112,726	4,794,964
Total liabilities					<u>4,794,964</u>
<b>Other segment information</b>					
Capital expenditure	(3,701)	(13,365)	(58,732)	(732)	(76,530)
Depreciation	(32,038)	(20,392)	(89,613)	(1,118)	(143,161)
Amortisation	-	(10,061)	(8,698)	-	(18,759)

<sup>^</sup> Includes proceeds from Pan Liquidator of \$1.04 million.

### Business segments

The Group operates in the industry segment of the sale of health supplements, vitamins and investments.

#### Business Industry

Health  
Investment

#### Products/Services

Sale of vitamins and supplements  
General investments

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2009 and 31 December 2008.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 2 Segment Information (continued)

	Continuing Operations		
	Health \$	Investment \$	Total \$
<b>Year ended 31 December 2009</b>			
<b>Revenue</b>			
Sales to external customers	17,015,128	-	17,015,128
<b>Result</b>			
Segment results	153,106	(16,039)	137,067
Unallocated expenses	-	-	(230,536)
Loss before tax and finance costs			(93,469)
Finance costs			(239,830)
Loss before income tax			(333,299)
Income tax credit			5,106
<b>Net loss for the year</b>			(328,193)
<b>Assets and liabilities</b>			
Segment assets	7,068,111	273,006	7,341,117
Investment in associates			1,468,949
Total assets			8,810,066
Segment liabilities	4,899,851	9,334	4,909,185
Total liabilities			4,909,185
<b>Other segment information</b>			
Capital expenditure	(70,604)	-	(70,604)
Depreciation	(130,325)	-	(130,325)
Amortisation	(16,947)	-	(16,947)
<b>Cash flow information</b>			
Net cash flow used in operating activities	(1,406,121)	1,579	(1,404,542)
Net cash flow used in investing activities	(211,515)	-	(211,515)
Net cash flow from financing activities	1,270,668	(54,351)	1,216,317

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 2 Segment Information (continued)

	Continuing Operations		
	Health \$	Investment \$	Total \$
<b>Year ended 31 December 2008</b>			
<b>Revenue</b>			
Sales to external customers	14,356,081	-	14,356,081
<b>Result</b>			
Segment results	754,727	(70,179)	684,548
Unallocated expenses	-	-	(194,677)
Profit before tax and finance costs			489,871
Finance costs			(184,000)
Profit before income tax			305,871
Income taxes			47,606
<b>Net profit for the year</b>			<b>353,477</b>
<b>Assets and liabilities</b>			
Segment assets	6,971,847	218,655	7,190,502
Investment in associates			1,450,086
Total assets			8,640,588
Segment liabilities	4,787,209	7,755	4,794,964
Total liabilities			4,794,964
<b>Other segment information</b>			
Capital expenditure	(76,530)	-	(76,530)
Depreciation	(143,161)	-	(143,161)
Amortisation	(18,759)	-	(18,759)
<b>Cash flow information</b>			
Net cash flow from operating activities	566,040	1,376	567,416
Net cash flow used in investing activities	(76,211)	-	(76,211)
Net cash flow from financing activities	367,482	(103,749)	263,733

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 3 REVENUE AND EXPENSES

	2009 \$	2008 \$
<b>(a) Other income</b>		
Refund of general interest charges and penalties from ATO	164,110	-
Government grant	62,583	-
Multi-level marketing membership registration fee	17,819	-
Gain on disposal of property, plant and equipment	2,328	319
Other income	14,271	20,189
Proceeds from Pan Pharmaceuticals Ltd Liquidator	-	1,042,012
Unrealised foreign exchange gains	-	83,005
	<b>261,111</b>	<b>1,145,525</b>
<b>(b) Administrative expenses</b>		
Legal and other professional fees	(823,374)	(583,202)
Consultants	(606,233)	(316,783)
Allowance for impairment loss	(5,500)	(57,803)
Wages, salaries and other employee expenses	(4,645,896)	(3,977,839)
Defined contribution superannuation expense	(380,124)	(358,005)
Travelling expenses	(337,867)	(357,775)
Share based payment expense	(12,080)	(14,856)
Depreciation	(130,325)	(143,161)
Amortisation	(16,947)	(18,759)
Other administrative expenses	(201,188)	(154,634)
	<b>(7,159,534)</b>	<b>(5,982,817)</b>
<b>(c) Other expenses</b>		
Product registration costs	(142,484)	(124,646)
Foreign currency expenses	(86,018)	(41,678)
Other non-operating expenses	(10,510)	(47,572)
	<b>(239,012)</b>	<b>(213,896)</b>
<b>(d) Finance income</b>		
Interest received - external parties	13,997	24,960
	<b>13,997</b>	<b>24,960</b>
<b>(e) Finance expenses</b>		
Interest expense - external parties	(156,887)	(118,885)
Bank charges	(18,124)	(7,214)
Finance charges - hire purchase and lease contracts	(64,819)	(57,901)
	<b>(239,830)</b>	<b>(184,000)</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 4 EARNINGS PER SHARE

	2009 \$	2008 \$
<b>(a) (Loss) / earnings used in calculating earnings per share</b>		
Net (loss) / profit attributable to equity holders from continuing operations	(328,193)	353,477
Net (loss) / profit attributable to equity holders of the parent	<b>(328,193)</b>	<b>353,477</b>
	Number	Number
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	50,869,109	48,196,932
Adjusted weighted average number of ordinary shares for diluted earnings per share	50,869,109	48,196,932

## 5 INCOME TAXES

	2009 \$	2008 \$
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<i>Income Statement:</i>		
<i>Current income tax</i>		
Current income tax charge	296,176	126,772
Tax benefits arising from previously unrecognised tax losses of prior years	(225,792)	(126,204)
Prior year under / (over)provision	(67,763)	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(7,727)	(48,174)
Income tax (credit) / expense reported in the income statement	<b>(5,106)</b>	<b>(47,606)</b>



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 5 INCOME TAXES (continued)

### (b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2009 \$	2008 \$
Total accounting (loss) / profit before income tax	(333,299)	305,871
At the parent entity's statutory income tax rate of 30% (2008: 30%)	(99,990)	91,761
Adjustment in respect of current income tax of previous year	(67,763)	-
Foreign tax rate adjustment	4,979	13,901
Travel and staff amenities expenses	6,716	49,050
Share based payments	3,624	4,457
Other expenditure not allowable for income tax purpose	44,289	11,439
Tax losses and timing differences not brought to account / (recognised)	103,039	(218,214)
<b>Aggregate income taxes</b>	<b>(5,106)</b>	<b>(47,606)</b>

### (c) Deferred income tax at 31 December relates to the following:

	2009 \$	2008 \$
<i>Deferred tax assets</i>		
Doubtful debts	20,681	18,069
Inventory obsolescence	16,252	18,390
Provision:		
Annual leave	15,593	9,382
Long service leave	1,597	2,333
Other provision	1,778	-
<b>Net deferred tax assets</b>	<b>55,901</b>	<b>48,174</b>

### (d) Tax losses

The Group has Australian carry forward tax losses for which no deferred tax assets is recognised on the balance sheet of \$15,614,933 which are available indefinitely for offset against future taxable income of the companies in which losses arose. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied.

### (e) Unrecognised temporary differences

At 31 December 2009, there is no recognised or unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates, as the Group has no liability for additional taxation should such amounts be remitted.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 5 INCOME TAXES (continued)

### (f) Tax consolidation

#### (i) Members of the tax consolidated group and the tax sharing agreement

The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was for the tax period ended 30 June 2003. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

#### (ii) Tax effect accounting by members of the tax consolidated group

#### Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

The current and deferred tax amounts of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "Stand-Alone Taxpayer" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts receivable from (payable to) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

#### Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement, which sets out the funding obligations of members of the tax consolidated group. Payments required to / (from) head entity are equal to the current tax liability / (assets) assumed from the members of the tax consolidated group. The inter-entity receivable (payable) is at call.

#### Tax consolidation contributions / (distributions)

The Company has recognised the following amount as tax-consolidation contribution adjustment:

	PARENT	
	2009	2008
	\$	\$
Total increase in intercompany receivable of Vita Life Sciences Limited	307,494	81,702

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 6 CASH AND CASH EQUIVALENTS

	2009 \$	2008 \$
Cash at bank and in hand (a)	795,077	1,109,387
Short term deposit (b)	280,666	183,423
<b>Total cash and cash equivalents</b>	<b>1,075,743</b>	<b>1,292,810</b>

(a) Cash at bank of \$311,116 (2008: \$459,830) earns interest at floating rates based on daily bank deposit rates.

(b) Short term deposit earns interest at the respective short-term deposit rates.

(c) The fair value of cash equivalents for the Group is \$1,075,743 (2008:\$1,292,810).

	2009 \$	2008 \$
<b>(d) Reconciliation of Cash Flow Statement</b>		
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	795,077	1,109,387
Short term deposit	280,666	183,423
Bank overdrafts - secured	-	(62,151)
	<b>1,075,743</b>	<b>1,230,659</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

## 6 CASH AND CASH EQUIVALENTS (CONTINUED)

	2009 \$	2008 \$
<b>(e) Reconciliation of net profit / (loss) after tax to net cash flows from operations</b>		
<b>Net (loss) / profit after tax</b>	(328,193)	353,477
<b>Adjustments for non-cash income and expense</b>		
Depreciation	130,325	143,161
Amortisation	16,947	18,759
Net profit on disposal of property, plant & equipment	(2,328)	(319)
Shared based payment expense	12,080	14,856
Allowance for impairment loss	5,500	57,803
	<b>(165,669)</b>	<b>587,737</b>
<b>Increase/decrease in assets and liabilities:</b>		
Decrease / (Increase) in inventories	33,469	(569,528)
(Increase) / decrease in receivables	(664,023)	(273,459)
Decrease / (increase) in other assets	94,197	(37,512)
(Decrease) / increase in income tax payable	(40,026)	18,678
(Decrease) / increase in trade and other payables	(47,084)	400,255
Increase / (decrease) in other liabilities	15,983	55,094
Effect of foreign exchange translation of assets and liabilities	(631,389)	386,151
<b>Net cash (used in) / from operating activities</b>	<b>(1,404,542)</b>	<b>567,416</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 7 TRADE AND OTHER RECEIVABLES

	2009 \$	2008 \$
<b>Current</b>		
Trade receivables, third parties	2,235,927	1,921,365
Allowance for impairment loss (a)	(80,732)	(75,232)
	<u>2,155,195</u>	<u>1,846,133</u>
Other receivables:		
Other receivables (b)	612,212	289,842
Net tax receivable	35,884	8,793
	<u>2,803,291</u>	<u>2,144,768</u>
<b>Non- current</b>		
Related party receivables (c)	489,764	622,768
	<u>489,764</u>	<u>622,768</u>

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$5,500 (2008: \$57,803) has been recognised by the Group. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	2009 \$	2008 \$
At 1 January	75,232	17,429
Charge for the year	5,500	57,803
	<u>80,732</u>	<u>75,232</u>

(b) Other receivables are non-interest bearing and have repayment terms between 30 to 90 days. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Related party receivable (non-current) of \$489,764 (2008: \$622,768) is loan to a company controlled by a Director of a subsidiary. The loan is non-interest bearing and is secured over the 30% shareholding of Vita Life Sciences Sdn Bhd, a company registered in Malaysia.

(d) Fair value

The carrying value for trade and other receivables is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

## 8 INVENTORIES

	2009 \$	2008 \$
Raw materials at cost	943,849	427,684
Finished goods at lower of cost and net realisable value	1,557,348	2,106,982
	<u>2,501,197</u>	<u>2,534,666</u>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 9 OTHER CURRENT ASSETS

	2009 \$	2008 \$
Prepayments	157,107	183,376
Security deposits	65,280	60,875
	<b>222,387</b>	<b>244,251</b>

## 10 INVESTMENT IN ASSOCIATES

	2009 \$	2008 \$
<b>Non- current</b>		
<i>Unlisted</i>		
- Mitre Focus Sdn Bhd (a) (i)	931,160	1,186,107
- Vita Life Sciences (Thailand) Co. Ltd (a) (ii)	155,179	13,770
- Vitahealth (Thailand) Co. Ltd (a) (iii)	382,610	250,209
Investments in associates	<b>1,468,949</b>	<b>1,450,086</b>

	2009 \$	2008 \$
<b>(a) Details of the carrying value of investments and share of profits / (losses) in associates</b>		
(i) Mitre Focus Sdn Bhd		
- Investment in associate at cost	22	22
- Loan to associate	931,558	1,186,347
- Cumulative share of associate's loss	(420)	(262)
Carrying value of investment in associate	<b>931,160</b>	<b>1,186,107</b>
(ii) Vita Life Sciences (Thailand) Co. Ltd		
- Investment in associate at cost	160,421	16,933
- Cumulative share of associate's loss	(5,242)	(3,163)
Carrying value of investment in associate	<b>155,179</b>	<b>13,770</b>
(iii) Vitahealth (Thailand) Co. Ltd		
- Investment in associate at cost	31,473	34,571
- Loan to associate	558,073	377,538
- Cumulative share of associate's loss	(206,936)	(161,900)
Carrying value of investment in associate	<b>382,610</b>	<b>250,209</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 10 INVESTMENT IN ASSOCIATES (CONTINUED)

	Place of Incorporation	Ownership Interest	
		2009 %	2008 %
<b>(b) Investment details</b>			
<b>Name of Company</b>			
<i>Unlisted</i>			
- Mitre Focus Sdn Bhd	Malaysia	6.3	6.3
- Vita Life Sciences (Thailand) Co. Ltd	Thailand	49.0	49.0
- Vitahealth (Thailand) Co. Ltd	Thailand	74.0	74.0

	2009 \$	2008 \$
<b>(c) Summarised financial information</b>		
The following illustrates summarised financial information relating to the Group's associates:		
<b>Extract from the associates' balance sheets:</b>		
Current assets	586,773	163,046
Non - current assets	2,460,854	3,120,544
	<u>3,047,627</u>	<u>3,283,590</u>
Current liabilities	(3,023,324)	(3,465,551)
Non - current liabilities	-	-
	<u>(3,023,324)</u>	<u>(3,465,551)</u>
Net assets / (liabilities)	<u>24,303</u>	<u>(181,961)</u>
Share of associates' net assets / (liabilities)	<b>(58,744)</b>	<b>(140,355)</b>
<b>Extract from the associates' income statements:</b>		
Revenue	257,513	85,003
Net profit / (loss)	(140,576)	(135,735)

- (d) The reporting date of associates is 31 December 2009. The reporting date coincides with the Company's reporting date.
- (e) Loans to associates are interest free and have no fixed repayment term;
- (f) The Group's effective equity interest in Vitahealth (Thailand) Co. Ltd is by virtue of Vita Life Sciences (Thailand) Co. Ltd's (an associate of the Group) direct equity interest of 51% and the Group's direct equity interest of 49%. Given this ownership structure, the Group has no control but only exercises significant influence over Vitahealth (Thailand) Co. Ltd;
- (g) As at 31 December 2009, there are no contingent liabilities relating to the associates.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	Leased Plant and Equipment	Total
	\$	\$	\$	\$
<b>Year ended 31 December 2009</b>				
At 1 January 2009 net of accumulated				
depreciation and impairment	52,111	167,617	9,627	229,355
Additions	14,210	56,394	-	70,604
Disposals	-	(249)	-	(249)
Exchange differences	(7,590)	(23,864)	2,045	(29,409)
Reclassification of property, plant & equipment	-	943	(943)	-
Depreciation / amortisation for the year	(38,813)	(87,278)	(4,234)	(130,325)
At 31 December 2009 net of accumulated				
depreciation and impairment	<b>19,918</b>	<b>113,563</b>	<b>6,495</b>	<b>139,976</b>
<b>At 31 December 2009</b>				
Cost value	244,475	1,389,191	134,790	1,768,456
Accumulated depreciation and impairment	(224,557)	(1,275,628)	(128,295)	(1,628,480)
Impairment	-	-	-	-
<b>Net carrying amount</b>	<b>19,918</b>	<b>113,563</b>	<b>6,495</b>	<b>139,976</b>
<b>Year ended 31 December 2008</b>				
At 1 January 2008 net of accumulated				
depreciation and impairment	74,597	186,808	12,754	274,159
Additions	13,381	63,149	-	76,530
Disposals	-	-	-	-
Exchange differences	7,917	13,907	3	21,827
Depreciation / amortisation for the year	(43,784)	(96,247)	(3,130)	(143,161)
At 31 December 2008 net of accumulated				
depreciation and impairment	<b>52,111</b>	<b>167,617</b>	<b>9,627</b>	<b>229,355</b>
<b>At 31 December 2008</b>				
Cost value	291,512	1,532,480	143,435	1,967,427
Accumulated depreciation and impairment	(239,401)	(1,364,863)	(133,808)	(1,738,072)
<b>Net carrying amount</b>	<b>52,111</b>	<b>167,617</b>	<b>9,627</b>	<b>229,355</b>

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2009 is \$6,495 (2008: \$9,627).



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 12 INTANGIBLES ASSETS

	Development costs \$
<b>Consolidated</b>	
<b>Year ended 31 December 2009</b>	
At 1 January 2009 net of accumulated depreciation and impairment	73,710
Additions	2,575
Amortisation	(16,947)
Exchange differences	(6,480)
	<hr/>
At 31 December 2009 net of accumulated depreciation and impairment	<b>52,858</b>
<b>At 31 December 2009</b>	
Gross carrying amount	337,182
Accumulated amortisation and impairment	(284,324)
	<hr/>
<b>Total</b>	<b>52,858</b>
<hr/>	
<b>Year ended 31 December 2008</b>	
At 1 January 2008 net of accumulated depreciation and impairment	72,733
Additions	18,258
Impairment / amortisation	(18,759)
Exchange differences	1,478
	<hr/>
At 31 December 2008 net of accumulated depreciation and impairment	<b>73,710</b>
<b>At 31 December 2008</b>	
Gross carrying amount	412,287
Accumulated amortisation and impairment	(338,577)
	<hr/>
<b>Total</b>	<b>73,710</b>

(a) *Development costs*

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. The amortisation has been recognised in the income statement in the line item 'administrative expense'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 13 TRADE AND OTHER PAYABLES

	2009 \$	2008 \$
<b>Current</b>		
Trade payables (a)	1,945,182	2,164,036
Net tax payable	98,760	46,880
Other payables and accruals	1,069,317	949,427
	3,113,259	3,160,343
Loan from associated entities (b)	156,393	18,802
	<b>3,269,652</b>	<b>3,179,145</b>

(a) Trade payables are non-interest bearing and are normally settled within 90-day terms. Other payables are non-interest bearing and have an average term of 3 months.

(b) The loans from associated entities are interest free and have no fixed repayment term.

(c) Fair value

Due to the short term nature of these payables, their carrying values are assumed to approximate their fair value.

## 14 INTEREST BEARING LOANS AND BORROWINGS

	2009 \$	2008 \$
<b>Current</b>		
Trade financing facility - secured (a)	598,681	496,300
Secured loans (b)	717,400	700,000
Lease liabilities - secured (c)	4,740	19,159
Bank overdrafts - secured (d)	-	62,151
	1,320,821	1,277,610
<b>Non - Current</b>		
Secured loans (b)	10,500	-
Lease liabilities - secured (c)	2,677	8,631
	<b>13,177</b>	<b>8,631</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 14 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

At reporting date, the following financing facilities has been negotiated and were available:	2009 \$	2008 \$
<b>Total facilities available:</b>		
Trade financing facility - secured	1,000,000	1,200,000
Secured loans	3,027,900	3,000,000
Bank overdraft	330,604	166,072
	<b>4,358,504</b>	<b>4,366,072</b>
<b>Facilities utilised at balance date:</b>		
Trade financing facility - secured	598,681	496,300
Secured loans	717,400	700,000
Bank overdraft	-	62,151
	<b>1,316,081</b>	<b>1,258,451</b>
<b>Facilities not utilised at balance date:</b>		
Trade financing facility - secured	401,319	703,700
Secured loans	2,310,500	2,300,000
Bank overdraft	330,604	103,921
	<b>3,042,423</b>	<b>3,107,621</b>

### (a) Trade financing facility

Trade financing facility is provided by an Australian bank to a subsidiary. The weighted average interest rate for the facility as at 31 December 2009 is 13.0% (2008: 11.9%). The facility has a fixed and floating charge over the assets and undertakings of the subsidiary.

### (b) Secured loan

The loan is provided by an external foreign company. The facility is secured over the assets and undertakings of the Company and the consolidated entity.

### (c) Lease liabilities

Lease liabilities are effectively secured as the rights to the lease assets revert to the lessor in the event of default.

### (d) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2009 is 7.50% p.a. (2008: 7.73% p.a.) The bank overdraft of the controlled entity is secured by way of a pledge of the short term deposits of the controlled entity.

### (e) Fair value

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

### (f) Default and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 15 PROVISIONS

	Employee Entitlements	Others	Total
	\$	\$	\$
<b>Consolidated</b>			
<b>Balance at 1 January 2009</b>	<b>89,010</b>	<b>154,445</b>	<b>243,455</b>
Arising during the year	8,598	7,385	15,983
<b>Balance at 31 December 2009</b>	<b>97,608</b>	<b>161,830</b>	<b>259,438</b>
<b>At 31 December 2009</b>			
Current	92,283	161,830	254,113
Non-Current	5,325	-	5,325
	<b>97,608</b>	<b>161,830</b>	<b>259,438</b>
<b>At 31 December 2008</b>			
Current	81,230	154,445	235,675
Non-Current	7,780	-	7,780
	<b>89,010</b>	<b>154,445</b>	<b>243,455</b>

### (a) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Deferred consideration

## 16 CONTRIBUTED EQUITY

	2009	2008	2009	2008
	Number	Number	\$	\$
<b>Issued and paid up capital</b>				
Ordinary shares	<b>54,285,307</b>	<b>48,580,228</b>	<b>45,699,176</b>	<b>44,549,823</b>
<b>Ordinary shares</b>				
Balance at beginning of the year	48,580,228	46,994,175	44,549,823	44,280,194
Shares issued during the year (a)	6,250,000	-	1,250,000	-
Share issue costs (a)	-	-	(54,302)	-
Share buy back (b)	(254,921)	-	(46,345)	-
Cancellation of Plan Shares of certain employees and Director (c)	(1,375,000)	-	-	-
Issued of shares to employee / director (d)	1,085,000	-	-	-
Acquisition of minority interest	-	1,586,053	-	269,629
Balance at end of the year	<b>54,285,307</b>	<b>48,580,228</b>	<b>45,699,176</b>	<b>44,549,823</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 16 CONTRIBUTED EQUITY (CONTINUED)

### (a) Shares Issued During the Year

On 7 August 2009, the Company completed its rights issue offer of 1 for 7.73 non-renounceable rights issue to all Australian and New Zealand registered shareholders at \$0.20 per share ("Rights Issue").

A total of 6,250,000 new fully paid ordinary shares were issued at \$0.20 each raising \$1.25 million before issue costs of \$54,302. The net proceeds from the Rights Issue will be utilised towards the legal and professional fees in relation to the Company's legal claim against the Commonwealth of Australia.

### (b) Share Buy-Back

On 2 September 2009, the Company announced an on-market share buy-back of up to 10% of the Company's shares on issue funded from the Group's existing cash reserves. On 1 October 2009, the Company bought back 254,921 shares at \$0.18 per share or total consideration of \$45,886 excluding cost of \$459.

### (c) Cancellation of Long Term Incentive Plan Shares ("Plan") of certain employees and director

At the Company's 2004 and 2005 Annual General Meeting, shareholders approved limited recourse loans be granted to certain employees and a Director. Subsequently, Plan shares were issued to employees and a Director.

In view of the limited recourse loans having fallen due for certain employees and the Director, the Plan shares were offered, in accordance with the terms of the Plan, as settlement of the loan provided by the Company for the purchase of Plan shares. On 23 June and 25 August 2009, the Company cancelled 425,000 and 950,000 Plan shares of certain employees and the Managing Director respectively.

### (d) Long Term Incentive Plan Shares ("Plan Share") Issued to certain employees and director

At the Company's 2009 Annual General Meeting, shareholders approved limited recourse loans be granted to a director of a subsidiary of the Group and the Managing Director. On 23 June and 25 August 2009, 150,000 and 935,000 Plan shares were issued to the director of a subsidiary and the Managing Director respectively.

The cost of the equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost is recognised in the income statement together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the employees become fully entitled to the award (the vesting date).

As at 31 December 2009, the Company recognised \$12,080 (2008: \$14,856) in the income statement with a corresponding increase in employee share based payment reserve.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 16 CONTRIBUTED EQUITY (CONTINUED)

### (e) Capital management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management constantly assesses the capital structure to take advantage of favourable costs of capital and / or high returns on assets. As the market is continuously changing, management may issue dividends to shareholders, return capital to shareholders, issue new shares, increase the short or long term borrowings or sell assets to reduce borrowings.

The Directors did not declare a dividend during the financial year ended 31 December 2009 (2008: Nil).

## 17 NET TANGIBLE ASSET PER SHARE

	2009 \$	2008 \$
Net assets per share	0.08	0.08
Net tangible assets per share	0.08	0.08
	Number	Number
Weighted average number of ordinary shares for net assets per share	50,869,109	48,196,932

## 18 SUBSEQUENT EVENTS

There is no subsequent event after balance date that affects the operating results or financial position of the Company and its subsidiaries

## 19 CONTINGENCIES

### *Contingent assets*

#### *Pan TGA Claim*

From 2003 onwards, the Group suffered substantial losses as a consequence of the Pan product recall, which resulted from regulatory action taken by the Therapeutic Goods Administration ("TGA") against Pan in April 2003. The Group filed a Statement of Claim against the Commonwealth of Australia in April 2009 for alleged misfeasance in public office and negligence by the TGA and its officers.

The quantum of the Company's damages is currently being evaluated by an independent expert. The Company has incurred legal and professional expenses of \$634,548 for the year ended 31 December 2009.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2009

## 20 DETAILS OF CONTROL OVER ENTITIES

### *Subsidiaries*

Name	Place of Incorporation	Percentage of Equity Interest	
		2009 %	2008 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed BioSciences Pty Limited	Australia	100	100
Allrad No. 19 Pty Limited	Australia	100	100
Lovin Pharma International Limited	Ireland	100	100
Herbs of Gold Pty Limited	Australia	100	100
Herbs of Gold (Shanghai) Co. Limited	People's Republic of China	100	100
VitaHealth Laboratories Australia Pty Limited	Australia	100	100
Premier Foods Pty Limited	Australia	100	100
Vita Corporation Pte Limited	Singapore	100	100
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
Vitaron Jaya Sdn Bhd	Malaysia	100	100
Vita Life Sciences Sdn Bhd	Malaysia	70	70
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Science (S) Pte Limited	Singapore	100	-
VitaHealth IP Pte Limited	Singapore	100	100
Sino Metro Developments Limited	British Virgin Island	100	100
VitaHealth (Macao Commercial Offshore) Limited	Macao	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100

## 21 INFORMATION ON AUDIT OR REVIEW

This preliminary final report is based on accounts to which one of the following applies

- The accounts have been audited
- The accounts have been subject to review
- The accounts are in the process of being audited or subject to review
- The accounts have not yet been audited or reviewed

**Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.**

Not applicable
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# Compliance Statement

1. This report has been prepared in accordance with ASX Listing Rule 4.3A, Australian Accounting Standards (including Australian Accounting Interpretations) and other standards acceptable to the ASX.
2. This report, and the financial statements upon which the report is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on financial statements which are in the process of being audited, and the audit report is not expected to contain any qualifications.
5. The entity has a formally constituted Audit Committee.

**Terry Kong**  
Company Secretary  
24 February 2010



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