Vita Life Sciences Limited Annual Report 2011

Vita Life Sciences Limited

ABN 35 003 190 421

A selection from our comprehensive range of products sold in countries where VLS companies are located.

Celebrating 65th Anniversary

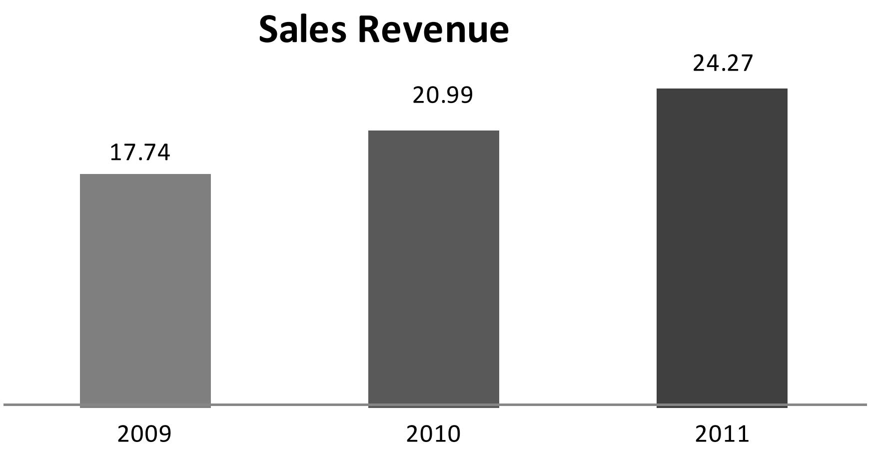
Contents

Financial Highlights

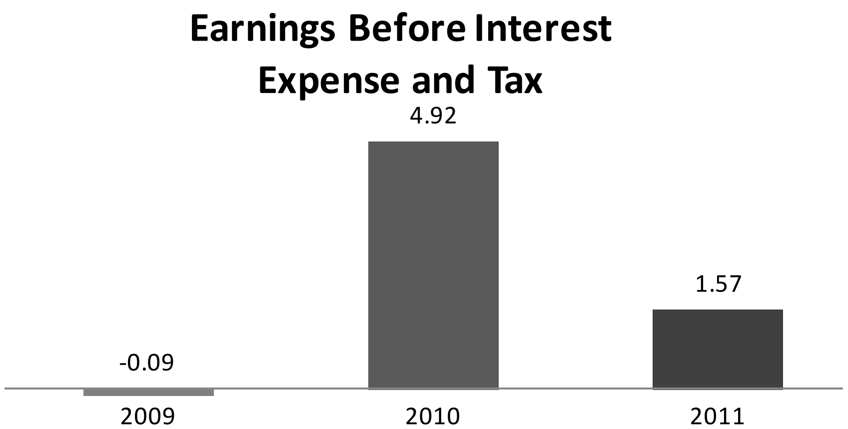
Year ended 31 December	2009 A$'million	2010 A$'million	2011 A$'million
Revenue	17.74	20.99	24.27
Earnings Before Interest Expense and Tax	(0.09) [1]	4.92 [2]	1.57
Net profit / (loss) after tax	(0.33) [1]	4.46 [2]	1.21
Shareholders' Funds	3.90	8.13	8.96
Borrowings	(1.33)	(1.81)	-

1. Including Pan TGA Claim costs of $0.63 million.

2. Including Pan Case income of $4.10 million (net of costs).

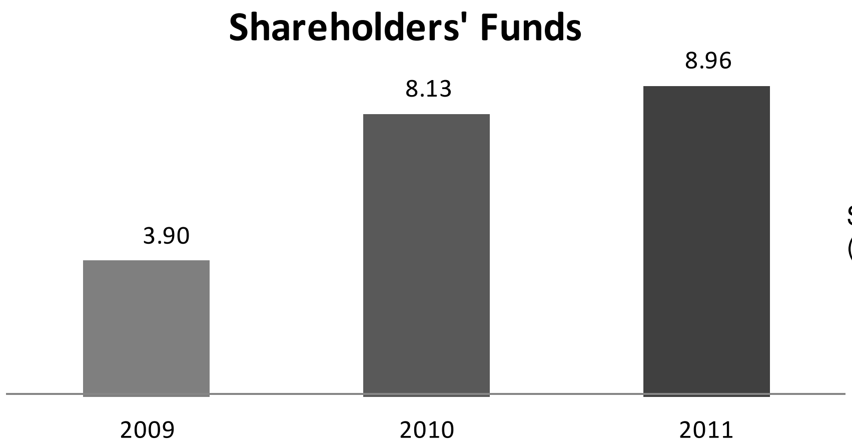


Sales revenue: Increased by 15.6% (2010: 18.7%)



Profit before interest expense and taxation of $1.57 million

(2010: $4.92 million included net revenue from settlement of Pan Pharmaceuticals Case of $4.10 million)



Shareholders’ funds: $8.96 million (2010: $8.13 million)

Chairman's Letter

Dear Shareholder,

Financial year 2011 has been another solid year for Vita Life Sciences Limited ("Vita Life") and its subsidiaries ("the Group") The Directors are pleased to present the following results:

- The Business continued to grow in 2011, with sales increasing to $24.27 million (2010 $20.99 million);
- Net profit after tax was $1.21 million, a threefold increase over the normalised result for 2010; and
- The Group is debt-free, has $3.60 million in cash and net assets have tripled since relisting in 2007.

Directors are pleased to be able to continue from last year with a full year dividend of 0.5 cents per share for the 2011 financial year. Vita Life plans to continue paying dividends at current levels for the foreseeable future and continue its share buy-back.

Robert Collier once said, "Success is the sum of small efforts, repeated day in and day out". The positive 2011 results reflect the progress made by Vita Life over many years towards the creation of an outstanding brand throughout Asia. As shareholders will recall, Vita Life puts in place the foundations for the expansion of the Health Business in 2006 by establishing its pharmaceutical and health care businesses in China, Malaysia, Thailand, and Vietnam ("New Business Units"). Whilst the New Business Units incurred losses and were funded by the Group's Established Business units, it is now evident these New Business Units are providing Vita Life with significant growth opportunities:

- In Thailand sales are steadily increasing and the business is now profitable;
- The Multi-Level-Marketing in Malaysia increased sales by 66.8% and provided 9.2% of the Group's revenue and losses are now minimal;
- Whilst Indonesia and Vietnam made small revenue contributions to the Group, they are well placed to achieve significant growth in the foreseeable future.

With the Group's strong balance sheet, should further opportunities to expand arise Vita Life is in an excellent position to take advantage of them.

Over the years, I have witnessed many challenges and the development of the Group business. The Group now employs more than 200 staff in 6 countries and is fortunate to have outstanding managers; the 2011 result reflects their efforts. I particularly want to acknowledge the dedication and contribution of the Group's Managing Director, Mr. Eddie Tie. Eddie and his team have built a substantial and sustainable performance business.

Vita Life would like to thank its shareholders for the continued support and understanding for what we are trying to achieve over the foreseeable future. It has been another year of significant achievement for the Vita Life team and I look forward to updating you on our progress as we continue this journey.

Vanda Gould

Chairman
23 March 2012

Managing Director's Review

Overview

Vita Life Sciences Limited and its subsidiaries ("the Group") recorded sales revenue of $24.27 million for the financial year, an increase on 2010's sales of $3.28 million or 15.6%. The Established Business Units in Australia and Malaysia preformed particularly well. The strong Australian dollar adversely impacted the Asian sales contribution to the Group by 5%.

Net profit for the year was $1.21 million (2010: $4.46 million). Profit for 2010 included $4.10 million (net) payment in settlement of the Pan Pharmaceuticals case (Pan Case) and therefore on a normalised basis was $0.36 million.

The Group's net profit of $1.21 million was a three-fold increase compared to the 2010 normalised net profit. On the basis of the Group's increasing profitability, Directors have declared a 0.5 cent per share dividend for the 2011 financial year.

Other key financial results were:

- The Group is debt-free having repaid it's loan facility in early 2011;
- Variable operating expenses (distribution and marketing expenses) were equivalent to 16.0% of sales revenue (2010: 17.7%). The improvement in variable operating costs as a percentage of sales revenue was mainly due to the continuous implementation of cost control measures;
- Other operating expenses (occupancy, administrative and miscellaneous expenses) were $10.56 million (2010: $8.82 million, before $1.85 million Pan Case costs). Higher fixed operating expenses arose from increased salaries as a result of Health division's expanding staff base for its New and Established Business Units, increased new product development and related regulatory compliance and registration expenses, increased advertising and promotion expenses for brand building in New Business Units (in China, Thailand, Vietnam and the MLM), higher sales incentives paid in line with sales revenue growth and inflationary factors; and
- The Group's net assets increased by 10% during the financial year to $8.96 million (2010: $8.13 million) and net tangible assets per share was $0.17 per share (2010: $0.15 per share). The Group had no bank borrowings at the end of 2011, and cash and cash equivalents of $3.62 million.

	Continuing Operations		
	Health $	**Investment** $	**Total** $
Year ended 31 December 2011			
Revenue			
Sales to external customers	24,266,646	-	24,266,646
Result			
Segment results	2,024,373	(9,328)	2,015,045
Proceeds from Pan Pharmaceuticals Ltd Liquidator			67,245
Unallocated expenses	-	-	(515,163)
Profit before tax and finance costs			1,567,127
Finance costs			(164,286)
Profit before income tax			1,402,841
Income tax expense			(190,320)
Net profit for the year			1,212,521

Managing Director's Review (Continued)

Financial Performance

Health Division

The Health division continued to grow in 2011 with an increase in sales of 15.6%. The Established Business Units recorded solid sales growth of 11.3% (2010: 11.9%) whilst the contributions from the New Business Units in China, Malaysia and Indonesia were 11.0% of Group's sales revenue (2010: 7.2%).

Health division's Earnings Before Interest and Taxes ("EBIT") of $2.02 million almost doubled the preceding year's EBIT of $1.04 million.

The New Business Units' progress during the 2011 period is summarised as follows:

- The Thailand business unit continued to show satisfactory progress, with sales increase of 58.5% and is profitable. This positivity showed consumer confidence in the Group's products;

- The MLM business unit in Malaysia continued to gain traction and contributed 9.2% of the Group's sales revenue (2010: 6.7%) with the loss for the year lower by 63.1% against the prior year as a result of sales growth of 66.8%;

- Continued efforts were made to establish a strong foundation of the Group's expansion in China. China business unit sales grew by 215% and it made a small loss in 2011; and

- In the Group's other Asian growth business units in Indonesia, Vietnam and Hong Kong, revenue contributions were insignificant and aggregated losses of $0.08 million were related to set-up, product registration and marketing expenses. The management is confident that the Group's investment in these countries will bear fruit and enhance shareholders' value in the medium term.

Regional Commentary

Australia

Herbs of Gold in Australia continues to be the Group's largest revenue contributor, accounting for 44.8% (2010: 47.3%) of the Group's total revenue.

The Established Business Unit reported revenue growth of 14.1%, had a healthy profit and remains in a great position with innovative products. Its daily interaction with its retail partnerships continues to ensure the products is competitive in a matured Australian market and meets the changes in consumers' needs and lifestyles.

Its strong balance sheet places the Established Business Unit in an excellent position to take advantage of growth opportunities.

Asia

The Group's Asian sales continued to gain momentum and accounted for 55.2% of Group's sales (2010: 52.7%) despite the stronger Australian dollar. The Group's Asian growth can be attributed to the foundations for expansion of the Health division that were put in place in 2006.

The Group's Established Business Unit in Malaysia performed particularly well with positive growth (measured in local currencies) of 13.4%. The Established Business Unit capitalised on the successful positioning of the Vita Health brand created by the successful partnerships with the established and growing independent pharmaceutical channels.

Managing Director's Review (Continued)

Regional Commentary (Continued)

Asia (Continued)

2011 has been a challenge for the Group's Established Business Unit in Singapore with sales growing by 3.0% (measured in local currency). That being said, both continued to be profitable and this is attributable to the inherent benefits of a well-managed and integrated management team, effective marketing strategies, innovative products and robust retail partnerships.

Investment Division

The Group has an equity interest of 6.3% (profit share of 20.1%) in a property project in Malaysia. 35% of the total development has been sold as at the end of 2011. The current selling prices of the houses have risen by an average of 30% compared to the prices when first launched in 2007. The property project has recorded a profit of A$0.26 million in 2011.

Outlook for 2012

Sales growth of 15% pa over the last 3 years is expected to continue in 2012. The strong cash position, positive cash flows from operating activities and being debt free leaves the Group in a strong position to expand its business and take advantage of future growth opportunities as they arise.

The Group's operating performance remains encouraging and the Directors are optimistic to expect improved profitability. The Group's focus on increasing sales, market share and profitability, and controlling operating expenditures in the long term remains unchanged.

Eddie L S Tie
Managing Director
23 March 2012

Directors' Report

Your Directors submit their report for the year ended 31 December 2011.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Vanda R Gould
Non-Executive Chairman
B Com, M Com, FCA, FCPA

Mr Gould has been a member of the Board since 1997. He is currently the Group Non-Executive Chairman appointed in 1999 and also serves as Chairman of the Audit and Risk, Board Nominations, and Remuneration Committees.

Mr Gould has broad business experience having practised as a Chartered Accountant for more than 30 years. As founding Chairman in 1984 of CVC Limited he has overseen investments in several companies involved in the medical industry. He is also chairman of several other private and public companies and educational establishments, including CVC Limited and Cyclopharm Limited which are listed on the Australian Securities Exchange ("ASX").

Mr Gould lives in Sydney and is 64 years old.

Mr Eddie L S Tie
Managing Director
FCPA (Australia), FCCA (UK), CPA (M), CA (M), CFP

Mr Tie has more than 25 years commercial experience including holding positions as Managing Director and Chief Executive Officer across companies involved in hotel and property development, manufacturing and education sectors. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of Finance of a publicly listed company in Malaysia.

Mr Tie was appointed Managing Director of Vita Healthcare Asia Pacific Sdn Bhd and Vita Life Sciences Limited ("Vita Life" or "Company") on 18 January 2005 and 1 January 2007 respectively.

Mr Tie lives in Kuala Lumpur, Malaysia and is 53 years old.

Mr John S Sharman
Non-Executive Director
B Ec, M Fin, CA

Mr Sharman was Finance Director and then Executive Director of Vita Life from October 2003 to August 2006. Mr Sharman serves as a member of the Audit and Risk Committee.

Mr Sharman has over 15 years experience in company management, private equity, investment banking and corporate finance. He has extensive experience in capital raisings, negotiation of key agreements, recovery and commercial strategies for performing and non-performing companies in all stages of company development.

Mr Sharman was a Director of ASX listed company, Cyclopharm Ltd, during the financial year.

Mr Sharman lives in Melbourne and is 46 years old.

Directors' Report (Continued)

Mr Henry G Townsing
Non-Executive Director
Dip Val

Mr Townsing has more than 20 years experience in corporate finance and private equity. He was a director of Vita Life from 1985 to 1992, 2004 to 2009 and was reappointed a director on 22 December 2011.

Mr Townsing lives in Melbourne and is 56 years old.

Ernest Chunge
Company Secretary

Mr Chunge was appointed as Company Secretary on 24 November 2011. He holds a Master of Commerce from the University of Sydney.

During the financial year, Messrs Terry Kong (resigned 1 June 2011) and Chin Khoo (appointed 24 March 2011 and resigned 30 November 2011) also held the office of Company Secretary.

Interests in the shares of the company and related bodies corporate

As at year end, the interests of the all directors in the shares of Company were disclosed in the table below.

Director		At 1 January 2011, or date of appointment	Purchases	LTIP Shares: Allotted / (Cancelled)	At 31 December 2011
Mr Vanda R Gould	- non beneficial	1,583,494	28,915	-	1,612,409
Mr Eddie L S Tie	- beneficial	3,366,017	20,000	2,500,000 *	5,886,017
	- non beneficial	30,000	-	-	30,000
Mr John S Sharman	- beneficial	67,250	-	-	67,250
	- non beneficial	17,500	-	-	17,500
Mr Henry G Townsing	- non beneficial	442,499 ^	-	-	442,499

* Refer to Remuneration Report for details of Long Term Incentives
^ Mr Townsing was appointed to the Board on 22 December 2011

DIVIDENDS

On 28 February 2012, the Directors declared a final fully franked dividend of 0.5 cents per share totalling $289,225 in respect of the financial year ended 31 December 2011 (2010: fully franked dividend of 0.5 cents per share totalling $270,430), payable on 17 April 2012.

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity consisted of formulating, packaging, sales and distribution of vitamins and supplements and investment.

Directors' Report (Continued)

REVIEW OF OPERATIONS

Financial Performance

The Group's operating profit before tax for the financial year ended 31 December 2011 was $1,402,841 (2010: $4,626,247). A tax expense of $190,320 (2010: $166,728) arose resulting in a profit after tax of $1,212,521 (2010: $4,459,519). Profit for 2010 included $4.10 million (net) payment in settlement of the Pan Pharmaceuticals case (Pan Case) and therefore on a normalised basis was $0.36 million.

Financial Position

The Group's net assets increased to $8,956,045 (2010: $8,129,883). The increase is largely due to the improved operating performance of the Group;

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Share Buy-Back

On 23 May 2011, the Company announced an on-market share buy-back of up to 15% of the Company's shares on issue funded from the Group's existing cash reserves. During the financial year ended 31 December 2011, the Company bought back 821,683 shares for total consideration of $230,395 excluding costs of $2,532.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends

On 28 February 2012, the Directors declared a final fully franked dividend of 0.5 cents per share totalling $289,225 in respect of the financial year ended 31 December 2011, payable on 17 April 2012.

Other than the above, there is no subsequent event after balance date that affects the operating results or financial position of the Company and its subsidiaries.

FUTURE DEVELOPMENTS

Disclosure of additional information not already disclosed in the Annual Report of Vita Life Sciences Ltd for the year ended 31 December 2011 regarding the business strategies, prospects and likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Officers of the Company covered by the insurance policy include the Directors, the Company Secretary and Executive Officers. The indemnification of the Directors and officers will extend for a period of at least 6 years in relation to events taking place during their tenure (unless the Corporations Act 2001 otherwise precludes this time frame of protection).

The liabilities insured include costs and expenses that may be brought against the Officers in their capacity as Officers of the Company that may be incurred in defending civil or criminal proceedings that may be brought against the Officers of the Company or a controlled entity.

The Company has resolved to indemnify its Directors and officers for a liability to a third party unless:

- the liability does not arise out of conduct involving a lack of good faith; or
- the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

Directors' Report (Continued)

INDEMNIFICATION AND INSURANCE OF OFFICERS (CONTINUED)

During or since the financial year, the Company has paid premiums in respect of a contract insuring all Directors of Vita Life Sciences Limited ("Vita Life") against legal costs incurred in defending proceedings for conduct involving:

- a wilful breach of duty; or
- a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $16,712 (2010: $16,500).

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements as they apply to the consolidated entity.

DIRECTORS' MEETING

The number of meetings of Directors (including meetings of committee of directors) held during the year and the number of meetings attended by each director in the capacity of director was as follows:

Director	Board Meetings		Audit Committee Meetings		Board Nomination Committee		Remuneration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Vanda R Gould	10	10	2	2	1	1	1	1
Mr John S Sharman	10	7	2	1	*	*	*	*
Mr Eddie L S Tie	10	10	*	*	*	*	*	*
Mr Henry G Townsing ^	-	-	-	-	-	-	-	-

* Not a member of the committees
^ Mr Townsing was appointed Director on 22 December 2011. There were no meetings held in the financial year subsequent to his appointment.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received an Independence Declaration from the external auditor, Russell Bedford NSW. A copy of this Declaration follows the Directors Report.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Russell Bedford NSW (and its associates) received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	16,006
Share registry services	41,399
	57,405

Directors' Report (Continued)

INVESTMENT AND BUSINESS RISK MANAGEMENT

The Board, based on the recommendations of the Managing Director, Mr Tie and the Directors, makes decisions on investments for the Company. The board considers that the general retention by it, or the power to make the final investment or divestment decision by a majority vote provides an effective review of the investment strategy. A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any modification to the investment strategy is notified to the ASX and any proposed major change in investment strategy is first put to shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company financial position, with a comparison of actual results against budget;
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks; and
- other measures which are either in place or can be adopted to manage or mitigate those risks.

SHAREHOLDING BY DIRECTORS AND EXECUTIVES

On 23 December 2010, the Board resolved to adopt a new Policy concerning trading in Company securities. An executive, director or relevant employees ('employee') must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. An employee should not deal in securities of Vita Life Sciences Limited without receiving clearance:

(a) from a Director in the case an employee;
(b) from an executive director in the case of the Chairman; or
(c) from the Chairman, in the case of Directors.

Generally, an employee must not be given clearance to deal in any securities of the Company during a prohibited period. A 'prohibited period' means:

(a) The period from year end and preliminary announcement of the full year results (usually 1 January to end February);

(b) The period from half year end and preliminary announcement of the half year results (usually 1 July to end August); and

(c) Any other periods advised to employees by the Board (via the Company Secretary).

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

ETHICAL STANDARDS

The Board endeavours to ensure that the Directors, officers and employees of Vita Life act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Directors' Report (Continued)

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines Directors and executives remuneration arrangements of the Company and the group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 29.2 to Aus 29.5 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report key management personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the parent and the group.

Remuneration committee

The Remuneration Committee comprises Mr Gould, Chairman of the Remuneration Committee, and Mr Henry G Townsing during the financial year. Mr Townsing was a director of Vita Life from 1985 to 1992, 2004 to 2009 and was reappointed to the Board on 22 December 2011. Mr Townsing is also Health division's executive committee member. Mr Townsing has more than 20 years experience in corporate finance and private equity.

The Remuneration Committee is responsible for:

- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Total remuneration for all existing non-executive Directors during the financial year was $45,000. These fees are within the aggregate remuneration of $100,000 for all non-executive Directors as approved by shareholders at the Annual General Meeting held on 6 July 2006.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to the performance of the Company and the creation of shareholders' value;
- have a significant portion of executive remuneration 'at risk';
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Directors and executives' remuneration is separate and distinct.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Non-executive director remuneration
Objective
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders.

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 6 July 2006 when shareholders approved an aggregate remuneration of $100,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee (as set out in the Remuneration of Key Management Personnel table) for being a Director of the Company. Directors' fees cover all main Board activities and the membership of committees. There are no additional fees for committee membership. These fees exclude any additional 'fee for service' based on arrangements with the Company, which may be agreed from time to time. Agreed out of pocket expenses are payable in addition to Directors' fees. There is no retirement or other long service benefits that accrue upon appointment to the Board. Retiring non-executive Directors are not currently entitled to receive a retirement allowance.

Executive remuneration
Objective
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice and the recommendations of the Managing Director.

Structure
The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and a standard contract with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits); and
- Variable remuneration
    - short term incentive; and
    - long term incentive.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in the Remuneration of Key Management Personnel table.

Fixed Remuneration
<u>Objective</u>
Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Executive remuneration (Continued)

Structure
Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the group. The fixed remuneration component of executives is detailed in the Remuneration of Key Management Personnel table.

Variable remuneration - Short Term Incentive ("STI")

Objective
The objective of the STI is to link the achievement of the group's operational targets with remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Variable remuneration – Short Term Incentive ("STI") (Continued)

Structure
Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included measures are sales, net profit after tax, customer service, risk management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for long term value.

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included measures are sales, net profit after tax, customer service, risk management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for long term value.

The group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within 3 months of reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments are delivered as a cash bonus in the following reporting period. Participation in the Short Term Incentive Plan is at the Directors discretion.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Executive remuneration (Continued)

Variable remuneration – Long Term Incentives

Objective
The Company has established a Long Term Incentive Plan ("Plan") to encourage employees or officers to share in the ownership of the Company, in order to promote the long-term success of the Company.

The plan was implemented in 2003 and at the date of this report the Company had allocated 5,070,000 plan shares equivalent to 8.8% of the Company's capital. The principal terms and conditions of the Plan are:

- The Company lends money on a non-recourse basis to employees to buy Company shares at an interest rate as determined by the Remuneration Committee. Interest to be paid is to be derived from dividends paid by the Company or capitalised against the loan;
- The total allocation of share capital able to be issued is not to exceed 10.0% of issued capital;
- The term of the loan is up to 5 years at which point all outstanding monies must be repaid or the shares are forfeited;
- Hurdles as determined by the Remuneration Committee and approved by the Board. Where hurdles are not met the Plan shares will be forfeited and the employee will not be required to make further payment;
- Vesting periods as determined by the Remuneration Committee and approved by the Board; and
- Any dividends paid will be applied to the principal and or interest charged on the loan.

Employment contracts

Managing Director
The Managing Director, Mr Tie, is employed under a rolling contract which commenced January 2005.

The principal terms of Mr Tie's contract are:

- Fixed remuneration of $128,123 (including superannuation) per annum for the year ended 31 December 2011. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr Tie is entitled to receive Plan shares subject to shareholders' approval. Refer to note 24 Share Based Payment of the financial statements for information on Plan shares issued to Mr Tie.
- Mr Tie may be entitled to receive bonus on achieving certain benchmarks and targets
- The Company may terminate Mr Tie's employment agreement or Mr Tie may resign by providing 6 months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Employment contracts (Continued)

Managing Director (continued)

- Mr Tie is entitled to a redundancy payment equivalent to 12 months of his remuneration if any of the following events occur:
  - a) The Company ceases it's control or ownership of any of the Established business units;
  - b) more than 50% of Directors retire or those who retire sell more than 50% of their shares in the Company;
  - c) a change in control of the Company resulting in Mr Tie reporting to another entity or other parties; or
  - d) a shareholder gains board representation and the Group business plan changes substantially.

Other Executives (standard contracts)
All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing (depending on the individual's contract) between 1 to 3 months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Directors' Report (Continued)

Remuneration of Key Management Personnel (Audited)
Table 1: Remuneration for the year ended 31 December 2011

Consolidated	Short term employee benefits			Post employment benefits		
	Salary & Fees $	Bonus $	Share based payments $	Superannuation $	Total $	Performance rated %
2011						
Directors						
Mr Vanda R Gould Non-Executive Director	30,000	-	-	-	30,000	n/a
Mr Eddie L S Tie Managing Director	114,220	-	99,780	13,903	227,903	44%
Mr John S Sharman Non-Executive Director	15,000	-	-	-	15,000	n/a
Mr Henry G Townsing (1) Non-Executive Director	-	-	-	-	-	n/a
Total Directors Compensation (2)	159,220	-	99,780	13,903	272,903	37%
Key Management Personnel						
PL Lee Executive Director - VHAP	76,147	5,965	-	10,027	92,139	6%
Geoffrey Pak President - Multi-Level Marketing	199,569	-	6,043	-	205,612	3%
Nathan A Cheong General Manager - Australia & New Zealand	184,680	48,000	13,094	15,444	261,218	23%
L M Leong General Manager - Singapore, China & Indonesia	162,902	31,570	13,094	9,479	217,045	21%
Edmund E M Sim General Manager - Regional Regulatory & Vietnam	122,273	25,218	13,094	9,494	170,079	23%
Y T Ong (3) General Manager - Malaysia & Thailand	41,949	-	-	5,135	47,084	0%
Total Key Management Compensation	787,520	110,753	45,325	49,579	993,177	16%
Grand total	946,740	110,753	145,105	63,482	1,266,080	20%

(1) Mr Townsing was appointed to the Board on 22 December 2011;

(2) Refer to Note 20 for transactions with companies related to directors;

(3) Mr YT Ong resigned from the position of General Manager – Malaysia & Thailand in May 2011.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Remuneration of Key Management Personnel (Audited) (Continued)
Table 2 Remuneration for the year ended 31 December 2010

Consolidated	Short term employee benefits			Post employment benefits		
	Salary & Fees $	Bonus $	Share based payments $	Superannuation $	Total $	Performance rated %
2010						
Directors						
Mr Vanda R Gould Non-Executive Director	30,000	-	-	-	30,000	n/a
Mr Eddie L S Tie Managing Director	121,274	-	10,742	14,762	146,778	7%
Mr John S Sharman Non-Executive Director	15,000	-	-	-	15,000	n/a
Total Directors Compensation (1)	166,274	-	10,742	14,762	191,778	6%
Key Management Personnel						
PL Lee (2) Executive Director - VHAP	10,392	-	-	1,249	11,641	0%
Geoffrey Pak President - Multi-Level Marketing	296,920	-	-	-	296,920	0%
Nathan A Cheong General Manager - Australia & New Zealand	143,000	42,000	-	11,700	196,700	21%
L M Leong General Manager - Singapore, China & Indonesia	151,291	20,753	-	9,036	181,080	11%
Y T Ong General Manager - Malaysia & Thailand	114,678	24,592	-	16,693	155,963	16%
Edmund E M Sim General Manager - Regional Regulatory & Vietnam	113,001	19,955	-	9,033	141,989	14%
SS Ding (3) Assistant General Manager - Finance & Operations	61,782	4,379	-	8,148	74,309	6%
Total Key Management Compensation	891,064	111,679	-	55,859	1,058,602	11%
Grand total	1,057,338	111,679	10,742	70,621	1,250,380	10%

(1) Refer to Note 20 for transactions with companies related to directors;

(2) Mr PL Lee was joined as Vita Healthcare Asia Pacific Sdn Bhd ("VHAP") Executive Director on 12 November 2010. VHAP is the Group's operating entity;

(3) Mr SS Ding resigned from the position of Assistant General Manager – Finance & Operations on 7 January 2011.

Signed in accordance with a resolution of the Directors.

Eddie L S Tie
Managing Director
23 March 2012

Russell Bedford
New South Wales

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23 March 2012

The Board of Directors
Vita Life Sciences Limited
Suite 630, Level 6
1 Queens Road
Melbourne VIC 3004

Dear Directors

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2011, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

- No contraventions of any applicable Code of Professional Conduct in relation to the audit.

Yours faithfully
RUSSELL BEDFORD NSW
Chartered Accountants

MALCOLM BEARD M.Com., F.C.A.
Partner

Corporate Governance Statement

The Directors of Vita Life Sciences Limited ("Vita Life") are responsible for the corporate governance of the Vita Life Group ("Group"). The Board guides and monitors the business and affairs of Vita Life on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company and its main corporate governance practices are applicable to all subsidiaries and are summarised below.

1 Compliance with ASX best practice recommendations

The ASX Listing Rules require a statement in a listed company's Annual Report which discloses the extent to which the ASX 27 best practice recommendations have been followed in the reporting period. As a listed company, Vita Life must identify those recommendations which have not been followed and provide reasons for non-compliance.

This Statement sets out in detail the Company's compliance with the ASX Corporate Governance Council's best practice recommendations.

The Company considers that practices comply with 28 of the ASX best practice recommendations as at 31 December 2011. The Company considers that its recommendations comply with the best practice recommendations, other than recommendations 4.2 an explanation for the departure is provided in this statement in section 3(a). A checklist summarising this is set out in section 8 of this Statement.

2 The Board of Directors

(a) Membership

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of director backgrounds is contained within the Directors Report.

ASX Recommendation 2.6

The Company's Constitution requires a minimum of 3 directors and a maximum of 9 directors. As at 31 December 2011, there were three non-executive Directors and one executive director, in conformity with the Company's policy that the Board has a majority of non-executive directors. The Chairman, Mr Gould, is a non-executive director. The terms and conditions of appointment and retirement of directors are set out in the Company's Constitution. The Board believes that its membership should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

(b) Board role and responsibilities

The Board is responsible to shareholders and investors for the Group's overall corporate governance.

The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to shareholders, investors, employees and other stakeholders of the Company;
- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary;
- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

ASX Recommendations 1.1, 2.6

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(c) Chairman

The Chairman, satisfies the requirements for an Independent Chairman under ASX Recommendations 2.1 and 2.2 as Mr Gould is a non-executive, and has approximately 2.8% of the Shares (Recommendations permit 5%). Mr Gould is the Chairman of CVC Limited, whose subsidiary Stinoc Pty Limited controls 13.9% of the Shares of Vita Life. Mr Gould has advised the Board that under the Corporations Act tests he does not control these Shares and therefore has not disclosed them as part of his director's interest. However, given Mr Gould's role as Chairman of CVC Limited and Vita Life Sciences Limited, Vita Life's Board has considered this matter and decided, Mr Gould abstaining from expressing a view, that the Mr Gould's role at CVC Limited does not affect the operation of the Company and that so long as Mr Gould continues to act as he has since his appointment to the Boards of various entities making up the Vita Life Group, there is no reason to treat his actions as otherwise than that of an independent, non executive.

The Chairman is elected by the full Board of directors and is responsible for:
- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the Chairman.

ASX Recommendation 2.3

(d) Independent directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgement.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances rather than general materiality thresholds.

In assessing independence, the Board considers whether the director has a business or other relationship with the Company, directly or as a partner, shareholder or officer of a Company or other entity that has an interest or a business relationship with the Company or another Vita Life group member.

Mr Gould, Mr Sharman and Mr Townsing meet the Recommendations' various test of independence. Therefore there is a majority of independent non-executive Directors and independent Directors on the Board.

ASX Recommendation 2.1, 2.6

(e) Avoidance of conflicts of interest by a director

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members further when that matter is being considered the Director may not vote on that matter, in accordance with the Corporations Act.

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(f) Board Meetings

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The number of times the Board has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report. The Board Charter dictates that the Board will hold ten scheduled meetings each year and, other meetings may be held at short notice as required.

(g) Review of Board Performance

The process for conducting the Board's annual performance review was agreed by the Board and was performed by the Chairman of the Board. Matters covered in the annual performance review include:

- The Board's contribution to developing strategy and policy;
- Interaction between the Board and management, and between Board members;
- The Board's processes to monitor business performance and compliance, control risk and evaluate Management;
- Board composition and structure; and
- The operation of the Board, including the conduct of Board meetings, Board Committee meetings and group behaviours.

ASX Recommendation 2.5

(h) Nomination and appointment of new directors

Recommendations for nominations of new directors are made by the Board Nominations Committee and considered by the Board in full. Mr Townsing and Mr Gould were members of the Board Nominations Committee during the financial year and Mr Gould is Chairman of the Committee. Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of shareholders. If a new director is appointed during that year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any director by shareholders.

ASX Recommendations 2.1, 2.4

(i) Retirement and re-election of directors

The Company's Constitution states that one-third of directors excluding the Managing Director must retire each year. The maximum term that each director can serve in any single term is three years. A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can stand for re-election. The Board Nominations Committee conducts a peer review of those directors during the year in which that director will become eligible for re-election.

ASX Recommendation 2.4

(j) Board access to information and advice

All directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

ASX Recommendation 2.5, 2.6

Corporate Governance Statement (Continued)

3 Board Committees

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit and Risk Committee;
- Board Nominations Committee; and
- Remuneration Committee.

a) Audit and Risk Committee

The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com. The Audit and Risk Committee comprises two Directors, who are non-executive Directors. The non-executive Directors are Mr Gould, Chairman of the Audit Committee and Mr Sharman. The qualifications of the committee are located in the Directors Report. The Audit Committee's responsibilities include:

- Reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);
- Reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the Board;
- Reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- Ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Reviewing the corporate governance practices and policies of the Company; and
- Reviewing procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.

The Committee does not comply with the requirement to have an independent chairperson, who is not the chairperson of the Board. The Board believes that Mr Gould is the most appropriate person to be elected Chairman of the Committee. The Board does not comply with the ASX requirement to have at least 3 members on the Audit Committee. The Board believes that the experience that Mr Gould and Mr Sharman have in the finance industry adequately mitigates this non-compliance.

The number of times the Audit and Risk Committee has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report.

The Audit and Risk Committee monitors and reviews:
- The effectiveness and appropriateness of the framework used by the Company for managing operational risk;
- The adequacy of the Company's internal controls including information systems controls an security;
- The adequacy of the process for reporting and responding to significant control and regulatory breaches;
- The effectiveness of the compliance function in ensuring adherence to applicable laws and regulations, including the action of legal and regulatory developments which may have a significant impact;
- Operational risk issues;
- Action plans to address control improvement areas.

The Company's Auditor, is requested to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the Auditor's Report.

ASX Recommendations 4.1, 4.2, 4.3, 4.4

Corporate Governance Statement (Continued)

3 Board Committees (Continued)

(b) Board Nominations Committee

The Board Nominations Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com.

The primary function of the Nominations Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board is responsible for:

- developing and reviewing policies on Board composition, strategic function and size;
- performance review process of the Board, its Committees and individual directors;
- developing and implementing induction programs for new directors and ongoing education for existing directors;
- developing eligibility criteria for nominating directors;
- recommending appointment of directors of the Board;
- reviewing director independence; and
- succession planning for the Board.

The number of times the Board Nominations Committee has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report.

ASX Recommendations 2.4, 2.6

(c) Remuneration Committee

The Remuneration Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, senior executives and non-executive directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel.

The Board does not comply with the ASX requirement to have at least 3 members on the Committee. The Board believes that the combined experience that Mr Gould and Mr Townsend possess adequately mitigates this requirement.

The number of times the Board Nominations Committee has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report.

ASX Recommendations 8.1, 8.2

4 Recognising and managing risks

A range of factors and risks some of which are beyond the Company's control can influence performance. The Company has in place a range of procedures to identify, assess and control risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

Corporate Governance Statement (Continued)

4 Recognising and managing risks (Continued)

(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The Company recognises four main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, investor sentiment and world events.
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events.
- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities.

ASX recommendations 7.1, 7.4

The Board, based on the recommendations of the Managing Director, Mr Tie, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy is first put to Shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

ASX Recommendation 7.2

(c) Managing Director and Chief Financial Officer Certification

The Managing Director and Chief Financial Officer provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal controls are operating efficiently and effectively in all material respects.

ASX recommendations 7.3

(d) Internal review and risk evaluation

Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk.

Corporate Governance Statement (Continued)

5 Remuneration

(a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the Company's officers and executives are set out in the Remuneration Report on page 14 and 15. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

ASX recommendations 8.1, 8.2, 8.3

(b) Equity-based key management personnel remuneration

The Long Term Incentive Plan ("Plan") and Mr Tie's participation in the Plan as a Director of the Company were approved by shareholders at the Annual General Meetings held on 31 May 2007, 21 May 2009 and 20 May 2010 in Melbourne. The purpose of the Plan is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the Plan will require shareholders approval in accordance with the ASX Listing Rules.

6 Timely and balanced disclosure

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board governs how the Company communicates with shareholders and the market. Shareholders are encouraged to participate in general meetings.

(a) Market disclosure policy and practices

This policy includes provision for communications by the Company to:

- Be factual and subject to internal vetting and authorisation before issue;
- Be made in a timely manner;
- Not omit material information;
- Be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions; and
- Be in compliance with ASX Listing Rules continuous disclosure requirements

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

ASX Recommendations 5.1, 5.2, 6.1,6.2

(b) Communication strategy

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Vita Life.

ASX Recommendations 6.1, 6.2

Corporate Governance Statement (Continued)

7 Ethical and responsible decision-making

(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of Vita Life act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

ASX Recommendations 3.1, 3.2, 3.3

(b) Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity, recognises the benefits arising from employee and board diversity, the importance of benefiting from all available talent and has established a diversity policy which is available at www.vitalifesciences.com

The Company considers gender diversity to be a priority, and is committed to building a strong representation of female employees throughout the Group, including executive management. Specific objectives are aimed at women participating in senior leadership roles through identification and mentorship of talented female employees with a view of promotion to management. The Company is making good progress in achieving these objectives.

The proportion of women employees in various positions in the Group at 31 December 2011 are as follows:

	2011	**2010**
Whole organisation	87%	83%
Senior Executives	64%	58%
Board of Directors	0%	0%

The Company considers the current combination of skills, experience and expertise when assessing the composition of the Board of Directors and deems the present Board to have a mix appropriate to its needs. Should a change to the composition of the Board be required, the Company will consider a mix of men and women to be shortlisted for the new position.

ASX Recommendations 3.2, 3.3, 3.4

8 Checklist for summarising the best practice recommendations and compliance

ASX Principle	Reference	Compliance
Principle 1: Lay solid foundations for management and oversight		
1.1 Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions.	2b	Comply
1.2 Companies should disclose the process for evaluating the performance of senior executives.	5a, 5b	Comply
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	2a, 2b, 5a, 5b	Comply
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	2a, 2d, 2h	Comply
2.2 The chair should be an independent director.	2c	Comply
2.3 The roles of chair and managing director should not be exercised by the same individual.	2a, 2c	Comply
2.4 The board should establish a nomination committee.	2h, 2i, 3b	Comply
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2g, 3c	Comply
2.6 Provide the information in the Guide to reporting on this Principle 2.	2a, 2b, 2d, 2j, 3b	Comply

Corporate Governance Statement (Continued)

8 Checklist for summarising the best practice recommendations and compliance (continued)

ASX Principle	Reference	Compliance
Principle 3: Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	7a	Comply
3.1.1 the practices necessary to maintain confidence in the company's integrity;		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurements objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	7b	Comply
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	7b	Comply
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	7b	Comply
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	7a	Comply
Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	3a	Comply
4.2 The audit committee should be structured so that it:	3a	Do not comply
4.2.1 consists only of non-executive directors;		
4.2.2 consists of a majority of independent directors;		
4.2.3 is chaired by an independent chair, who is not the chair of the board; and		
4.2.4 has at least three members		
4.3 The audit committee should have a formal charter.	3a	Comply
4.4 Provide the information in the Guide to reporting on this Principle 4.	2a, 3a	Comply
Principle 5: Make timely and balanced disclosure		
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6a	Comply
5.2 Provide the information in the Guide to reporting on this Principle 5.	6a	Comply
Principle 6: Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with sharholders and encourage participation at general meetings and disclose their policy or a summary of that policy.	6a, 6b	Comply
6.2 Provide the information indicated in the Guide to reporting on Principle 6.	6a, 6b	Comply
Pinciple 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material businesses risks and disclose a summary of those policies.	4a	Comply
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of business risks.	4b	Comply
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	4c	Comply
7.4 Provide the information in the Guide to reporting on this Principle 7	4a	Comply
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	3c, 5a	Comply
8.2 The remuneration committee should structured so that it consists of a majority of independent directors, chaired by an independent director and have at least three members.	3c	Do not comply
8.3 Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	3c, 5a	Comply
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8	5a	Comply

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011	Notes	2011 $	2010 $
CONTINUING OPERATIONS			
Sale of goods		24,266,646	20,988,474
Cost of sales		(8,548,951)	(7,858,017)
Gross profit		15,717,695	13,130,457
Other income	5 (a)	210,349	6,099,517
Distribution expenses		(2,071,405)	(1,885,363)
Marketing expenses		(1,804,202)	(1,821,159)
Occupancy expenses	25	(639,212)	(605,465)
Administrative expenses	5 (b)	(9,520,953)	(9,806,457)
Other expenses	5 (c)	(402,186)	(263,385)
Share of associates (loss) / profit		(1,139)	56,518
Profit from continuing operations before interest and taxes		1,488,947	4,904,663
Finance income	5 (d)	78,180	10,500
Finance costs	5 (e)	(164,286)	(288,916)
Profit before income tax		1,402,841	4,626,247
Income tax expense	7	(190,320)	(166,728)
Net profit for the year		1,212,521	4,459,519
Other comprehensive expense after income tax			
Exchange differences on translating foreign controlled entities		(209,931)	(234,964)
Other comprehensive expense for the year, net of income tax		(209,931)	(234,964)
Total comprehensive income for the year		**1,002,590**	**4,224,555**
Profit attributable to minority interest		-	-
Profit attributable to members of the parent		1,212,521	4,459,519
		1,212,521	4,459,519
Total comprehensive income / (expense) attributable to:			
Minority interest		(13,580)	(11,356)
Members of the parent		1,016,170	4,235,911
		1,002,590	4,224,555
Earnings per share (cents per share)	6		
- basic earnings per share for continuing operations		2.31	8.22
- basic earnings per share		2.31	8.22
- diluted earnings per share		2.12	8.22

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

Consolidated Statement of Financial Position

as at 31 December 2011	Notes	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,632,307	455,517
Trade and other receivables	9	3,285,380	8,086,230
Inventories	10	3,700,900	3,440,451
Other assets	11	284,536	244,523
Assets held for sale	13	22,425	-
Total Current Assets		10,925,548	12,226,721
Non Current Assets			
Trade and other receivables	9	464,828	478,408
Investment in associates	12	1,678,255	1,537,480
Property, plant and equipment	13	126,764	165,648
Intangible assets	14	65,862	57,061
Deferred tax assets	7	87,903	46,906
Total Non Current Assets		2,423,612	2,285,503
Total Assets		**13,349,160**	**14,512,224**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	3,917,043	4,301,851
Interest bearing loans and borrowings	16	-	1,813,576
Current tax liability		34,009	20,199
Provisions	17	414,308	241,390
Total Current Liabilities		4,365,360	6,377,016
Non Current Liabilities			
Deferred Tax Liability	7	7,773	-
Provisions	17	19,982	5,325
Total Non Current Liabilities		27,755	5,325
Total Liabilities		**4,393,115**	**6,382,341**
Net Assets		**8,956,045**	**8,129,883**
Equity			
Issued capital	18	45,568,037	45,690,301
Accumulated losses		(35,355,062)	(36,297,153)
Employee share based payments reserve	19(a)	271,677	55,411
Foreign currency translation reserve	19(b)	(1,993,435)	(1,797,084)
Parent entity interest		8,491,217	7,651,475
Minority interest		464,828	478,408
Total Equity		**8,956,045**	**8,129,883**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2011	Notes	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		26,260,696	22,079,641
Proceeds from Pan Case Legal Settlement		5,000,000	-
Payments to suppliers and employees		(25,437,603)	(23,407,866)
Proceeds from Pan Pharmaceuticals Ltd Liquidator		67,245	954,499
Borrowing costs		(97,204)	(249,028)
Income tax paid		(209,734)	(183,631)
Interest received		78,180	10,500
Net cash flows provided by / (used in) operating activities	8 (e)	5,661,580	(795,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		452	4,188
Purchase of property, plant and equipment		(71,493)	(142,157)
Net cash flows used in investing activities		(71,041)	(137,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from external borrowings		-	443,979
Loans to associated entities		(196,493)	(135,943)
Repayment of external borrowings		(1,764,800)	(13,177)
Dividends Paid		(270,430)	-
Shares bought back (net of costs)		(232,927)	(8,875)
Proceeds from issue of shares		110,663	-
Net cash flows (used in) / provided by financing activities		(2,353,987)	285,984
Net increase / (decrease) in cash and cash equivalents		3,236,552	(647,870)
Net foreign exchange differences		(10,986)	(21,132)
Cash and cash equivalents at beginning of the year		406,741	1,075,743
Cash and cash equivalents at end of the year	8 (d)	**3,632,307**	**406,741**

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011	Note	Issued Capital $	Employee Share Based Payments Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of Parent $	Minority Interests $	Total $
Balance at 1 January 2011		45,690,301	55,411	(36,297,153)	(1,797,084)	7,651,475	478,408	8,129,883
Comprehensive income								
Profit attributable to members of parent entity		-	-	1,212,521	-	1,212,521	-	1,212,521
Other comprehensive income for the year		-	-	-	(196,351)	(196,351)	(13,580)	(209,931)
Total comprehensive income for the year		-	-	1,212,521	(196,351)	1,016,170	(13,580)	1,002,590
Transactions with owners, in their capacity as owners								
Issue of Shares (net of issue costs)		34,663	-	-	-	34,663	-	34,663
Shares bought back		(232,927)	-	-	-	(232,927)	-	(232,927)
Repayment of loans on Employee share option scheme		76,000	-	-	-	76,000	-	76,000
Employee share option scheme		-	216,266	-	-	216,266	-	216,266
Dividends paid	18(g)	-	-	(270,430)	-	(270,430)	-	(270,430)
Total transactions with owners		(122,264)	216,266	(270,430)	-	(176,428)	-	(176,428)
Balance at 31 December 2011		45,568,037	271,677	(35,355,062)	(1,993,435)	8,491,217	464,828	8,956,045

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

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2010	Note	Issued Capital $	Employee Share Based Payments Reserve $	Accumulated Losses $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of Parent $	Minority Interests $	Total $
Balance at 1 January 2010		45,699,176	42,089	(40,756,672)	(1,573,476)	3,411,117	489,764	3,900,881
Comprehensive income								
Profit attributable to members of parent entity		-	-	4,459,519	-	4,459,519	-	4,459,519
Other comprehensive income for the year		-	-	-	(223,608)	(223,608)	(11,356)	(234,964)
Total comprehensive income for the year		-	-	4,459,519	(223,608)	4,235,911	(11,356)	4,224,555
Transactions with owners, in their capacity as owners								
Shares bought back		(8,875)	-	-	-	(8,875)	-	(8,875)
Employee share option scheme		-	13,322	-	-	13,322	-	13,322
Total transactions with owners		(8,875)	13,322	-	-	4,447	-	4,447
Balance at 31 December 2010		45,690,301	55,411	(36,297,153)	(1,797,084)	7,651,475	478,408	8,129,883

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 2011

1 CORPORATE INFORMATION

The financial report of Vita Life Sciences Limited ("Company" or "Vita Life") for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on the date of this report.

Vita Life is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the code VSC.

The nature of the operations and principal activities of Vita Life and its controlled entities ("the Group") are described in the Directors' Report.

2 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 the Group as at 31 December 2011. 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(c) Basis of consolidation (continued)

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 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 consolidated statement of comprehensive income and are presented within Equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

(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 consolidated statement of comprehensive income, 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 Vita Healthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciencs Sdn Bhd and Pharma Direct Sdn Bhd are Malaysian Ringgit (RM), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are Singapore dollars (SGD), Herbs of Gold (Shanghai) Company Ltd is Hong Kong dollars and Vita Health (Vietnam) Company Limited is Vietnam Dong.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(e) Foreign currency translation (continued)

(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 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 consolidated statement of comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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 Statement of Cash Flows, 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.

Collectability 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 2011

2 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 measured. All other repairs and maintenance are charged to the consolidated statement of comprehensive income 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:

	Rate	***Method***
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	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 consolidated statement of comprehensive income in the year the item is derecognised.

(j) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(j) Intangibles (continued)

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:

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

(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 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(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 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.

(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 consolidated statement of comprehensive income 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(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 the 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.

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 consolidated statement of comprehensive income 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 excluding distributors cost) 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.

Legal settlement
Revenue is recognised when the Group’s right to receive the legal settlement is established.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(s) Investments in associates

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

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates is recognised as reduction in the carrying amount of the investment.

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

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

(t) Income and other 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 date.

Deferred income tax is provided on all temporary differences at the balance 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.

2 Summary of Significant Accounting Policies (continued)

(t) Income and other taxes (continued)

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 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 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 date.

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 for the tax period ended 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 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.

2 Summary of Significant Accounting Policies (continued)

(t) Income and other taxes (continued)

Tax consolidation (continued)

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.

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 statement of financial position. Cash flows are presented in the Statement of Cash Flows 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.

(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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(u) Financial instruments (continued)

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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Summary of Significant Accounting Policies (continued)

(v) Earnings per share (continued)

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.

(w) Share-based payment transactions

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 these 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 consolidated statement of comprehensive income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

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

2 Summary of Significant Accounting Policies (continued)

(w) Share-based payments transactions (continued)

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.

(x) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Due to a change in arrangements and documentation with distributors, revenue has been recognised as the gross inflow of economic benefits received and receivable by the entity on its own account. Revenue has been recorded gross and the distribution cost, which is a separate component of the transaction, has been recorded in a separate line in the statement of comprehensive income.

This change in presentation has required a restatement of the comparatives as disclosed in the Consolidated Statement of Comprehensive Income. The 2010 sale of goods has increased by $797,913, resulting in an increase in gross profit of $797,913. Distribution costs, as disclosed in the distribution expenses line, have increased by $797,913, resulting in a nil change to profit from continuing operations before interest and taxes.

(y) New accounting standards and interpretations not yet adopted

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 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

2 Summary of Significant Accounting Policies (continued)

(y) New accounting standards and interpretations not yet adopted (continued)

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard will only affect certain disclosures relating to financial instruments and is not expected to significantly impact the Group.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121 into AASB 112.

2 Summary of Significant Accounting Policies (continued)

(y) New accounting standards and interpretations not yet adopted (continued)

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Group.

AASB 1054: Australian Additional Disclosures and AASB 2011–1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] (applicable for annual reporting periods commencing on or after 1 July 2011).

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements.

The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

These Standards are not expected to significantly impact the Group.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

2 Summary of Significant Accounting Policies (continued)

(y) New accounting standards and interpretations not yet adopted (continued)

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group

AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

3 Significant Accounting Judgments, Estimates and Assumptions (continued)

Capitalised development costs
Included in intangible assets (Note 14) at the end of the year is an amount of $65,862 (2010: $57,061) relating to capitalised development cost.

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

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

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

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

As at 31 December 2011, the Company recognised $216,266 (2010: $13,322) in the consolidated statement of comprehensive income with a corresponding increase in employee share based payment reserve. Refer to note 24 for details of the Company's Share Based Payment Plan.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

4 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 2011 and 31 December 2010.

	Continuing Operations				
	Australia $	**Singapore $**	**Malaysia $**	**Others $**	**Total $**
Year ended 31 December 2011					
Revenue					
Sales to external customers	10,858,122	3,817,150	8,966,154	625,220	24,266,646
Total segment revenue	10,858,122	3,817,150	8,966,154	625,220	24,266,646
Segment results					
Profit / (loss) before tax and finance costs	895,469	383,131	592,293	(302,627)	1,568,266
Finance costs	(97,557)	(1,828)	(62,053)	(2,848)	(164,286)
Share of profit of associates	-	-	(300)	(839)	(1,139)
Profit before income tax					1,402,841
Income tax expense					(190,320)
Net profit for the year					1,212,521
Assets and liabilities					
Segment assets	6,391,562	946,796	3,563,006	769,541	11,670,905
Investment in associates					1,678,255
Unallocated assets					
Total assets					13,349,160
Segment liabilities	2,176,960	667,802	1,384,578	163,775	4,393,115
Total liabilities					4,393,115
Other segment information					
Capital expenditure	(15,806)	(1,894)	(48,518)	(5,275)	(71,493)
Depreciation	(8,589)	(1,540)	(72,601)	(941)	(83,671)
Amortisation	-	(1,004)	(6,220)	(2,414)	(9,638)

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Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

4 SEGMENT INFORMATION (CONTINUED)

	Continuing Operations				
	Australia	**Singapore**	**Malaysia**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**
Year ended 31 December 2010					
Revenue					
Sales to external customers	9,516,480	4,032,011	7,069,794	370,189	20,988,474
Segment results					
Profit / (loss) before tax and finance costs	4,538,837 ^	341,995	5,092	(27,278)	4,858,645
Finance costs	(242,608)	(1,211)	(42,341)	(2,756)	(288,916)
Share of profit of associates	-	-	2,532	53,986	56,518
Profit before income tax					4,626,247
Income tax expense					(166,728)
Net profit for the year					4,459,519
Assets and liabilities					
Segment assets	9,034,967	1,395,691	2,206,914	337,172	12,974,744
Investment in associates					1,537,480
Total assets					14,512,224
Segment liabilities	4,272,566	634,894	1,285,407	189,474	6,382,341
Total liabilities					6,382,341
Other segment					
Capital expenditure	(4,224)	(778)	(135,683)	(1,472)	(142,157)
Depreciation	(15,304)	(11,082)	(65,269)	(17,385)	(109,040)
Amortisation	-	(1,648)	(6,920)	-	(8,568)

^ Includes Pan Case legal settlement amount of $5.0 million, Pan Case costs of $1.85 million and proceeds from Pan Pharmaceutical Ltd Liquidator of $0.95 million.

Business segments

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

Business Industry	**Products/Services**
Health	Sale of vitamins and supplements
Investment	General investments

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2011 and 31 December 2010.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

4 SEGMENT INFORMATION (CONTINUED)

	Continuing Operations		
	Health $	Investment $	Total $
Year ended 31 December 2011			
Revenue			
Sales to external customers	24,266,646	-	24,266,646
Result			
Segment results	2,024,373	(9,328)	2,015,045
Proceeds from Pan Pharmaceuticals Ltd Liquidator			67,245
Unallocated expenses	-	-	(515,163)
Profit before tax and finance costs			1,567,127
Finance costs			(164,286)
Profit before income tax			1,402,841
Income tax expense			(190,320)
Net profit for the year			1,212,521
Assets and liabilities			
Segment assets	11,670,905	933,737	12,604,642
Investment in associates			744,518
Total assets			13,349,160
Segment liabilities	4,389,296	3,819	4,393,115
Total liabilities			4,393,115
Other segment information			
Capital expenditure	(71,493)	-	(71,493)
Depreciation	(83,671)	-	(83,671)
Amortisation	(9,638)	-	(9,638)

	Continuing Operations		
	Health $	Investment $	Total $
Year ended 31 December 2010			
Revenue			
Sales to external customers	20,988,474	-	20,988,474
Result			
Segment results	1,035,102	51,621	1,086,723
Legal settlement			5,000,000
Proceeds from Pan Pharmaceuticals Ltd Liquidator			954,499
TGA Pan legal and professional costs			(1,850,908)
Unallocated expenses	-	-	(275,151)
Profit before tax and finance costs			4,915,163
Finance costs			(288,916)
Profit before income tax			4,626,247
Income tax expense			(166,728)
Net profit for the year			4,459,519
Assets and liabilities			
Segment assets	12,611,859	1,326,607	13,938,466
Investment in associates			573,758
Total assets			14,512,224
Segment liabilities	6,378,494	3,847	6,382,341
Total liabilities			6,382,341
Other segment information			
Capital expenditure	(142,157)	-	(142,157)
Depreciation	(109,040)	-	(109,040)
Amortisation	(8,568)	-	(8,568)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

5 REVENUE AND EXPENSES

	2011 $	2010 $
(a) Other income		
Legal settlement - Pan Case	-	5,000,000
Proceeds from Pan Pharmaceuticals Ltd Liquidator	67,245	954,499
Unrealised foreign exchange gains	50,986	69,619
Other income	92,594	79,927
(Loss) / gain on disposal of property, plant and equipment	(476)	(4,528)
	210,349	**6,099,517**
(b) Administrative expenses		
Legal and other professional fees	(301,994)	(1,412,585)
Consultants	(376,032)	(1,088,500)
Reversal / (allowance) for impairment loss	(19,027)	42,615
Wages, salaries and other employee expenses	(7,579,925)	(6,144,041)
Defined contribution superannuation expense	(524,825)	(463,050)
Travelling expenses	(225,432)	(281,466)
Share based payment expense	(216,266)	(13,322)
Depreciation	(83,671)	(109,040)
Amortisation	(9,638)	(8,568)
Impairment in loan to associate	-	(81,967)
Other administrative expenses	(184,143)	(246,533)
	(9,520,953)	**(9,806,457)**
(c) Other expenses		
Product registration costs	(213,301)	(159,939)
Loss on Foreign Exchange	(51,536)	(6,582)
Other non-operating expenses	(137,349)	(96,864)
	(402,186)	**(263,385)**
(d) Finance income		
Interest received - external parties	78,180	10,500
	78,180	**10,500**
(e) Finance expenses		
Interest expense - external parties	(90,627)	(164,921)
Bank charges	(67,082)	(39,888)
Finance charges - hire purchase and lease contracts	(6,577)	(84,107)
	(164,286)	**(288,916)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

6 EARNINGS PER SHARE

	2011 $	2010 $
(a) Earnings used in calculating earnings per share		
Net profit attributable to equity holders from continuing operations	1,212,521	4,459,519
Net profit attributable to equity holders of the parent	**1,212,521**	**4,459,519**
	Number	**Number**
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	52,588,549	54,272,751
Adjusted weighted average number of ordinary shares for diluted earnings per share	57,160,632	54,272,751

7 INCOME TAXES

	2011 $	2010 $
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement:		
Current income tax		
Current income tax charge	475,809	1,392,191
Tax benefits arising from previously unrecognised tax losses of prior years	(252,698)	(1,288,098)
Prior year under / (over)provision	248	53,640
Deferred income tax		
Relating to origination and reversal of temporary differences	(33,039)	8,995
Income tax expense / (credit) reported in the income statement	**190,320**	**166,728**

7 INCOME TAXES (CONTINUED)

(b) 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:

	2011 $	2010 $
Total accounting profit / (loss) before income tax	1,402,841	4,626,247
At the parent entity's statutory income tax		
30% (2010: 30%)	420,852	1,387,874
Adjustment in respect of current income tax of previous year	248	53,638
Foreign tax rate adjustment	20,687	51,170
Travel and staff amenities expenses	4,837	3,664
Share based payments	64,880	3,997
Foreign exchange gain not assessable for income tax purpose	-	(44,906)
Other expenditure not allowable for income tax purpose	(45,860)	-
Other income not assessable for income tax purpose	-	(58,228)
Tax losses and timing differences not brought to account / (recognised)	(275,324)	(1,230,481)
Aggregate income taxes	**190,320**	**166,728**

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

Deferred tax assets/ (liabilities)		
Doubtful debts	13,796	11,435
Inventory obsolescence	14,698	14,003
Property, plant and equipment	(4,441)	-
Trade and other receivables	(3,332)	-
Provision for annual leave	24,269	19,336
Provision for long service leave	5,995	1,597
Other provision	29,145	535
Net deferred tax assets/ (liabilities)	**80,130**	**46,906**
Presented in the consolidated Statement of Financial Position as follows:		
Deferred tax assets	87,903	46,906
Deferred tax liabilities	(7,773)	-
	80,130	**46,906**

7 INCOME TAXES (CONTINUED)

(d) Tax losses

The Group has Australian carry forward tax losses as at 31 December 2011 for which no deferred tax assets is recognised on the statement of financial position of $12.29 million 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 2011, there is no recognised or unrecognised deferred tax liability (2010: 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.

(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 defaults 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 AASB 112 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

7 INCOME TAXES (CONTINUED)

(f) Tax consolidation (continued)

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	
	2011 $	2010 $
Total increase in intercompany receivable of Vita Life Sciences Limited	394,606	211,762

8 CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank and in hand (a)	2,410,666	261,573
Short term deposit (b)	1,221,641	193,944
Total cash and cash equivalents	**3,632,307**	**455,517**

(a) Cash at bank of $554,498 (2010: $132,963) 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 was $3,632,307 (2010: $455,517).

(d) Reconciliation of Statement of Cash Flows

	2011 $	2010 $
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	2,410,666	261,573
Short term deposit	1,221,641	193,944
Bank overdrafts - secured	-	(48,776)
	3,632,307	**406,741**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

8 CASH AND CASH EQUIVALENTS (CONTINUED)

(e) Reconciliation of net profit after tax to net cash flow from operations.

	2011 $	2010 $
Net profit after tax	1,212,521	4,459,519
Adjustments for non-cash income and expense items:		
Depreciation	83,671	109,040
Amortisation	9,638	8,568
Net loss on disposal of property, plant & equipment	476	4,528
Shared based payment expense	216,266	13,322
Allowance / (Reversal) for impairment loss	19,027	(42,615)
Impairment in loan to associate	-	81,967
	1,541,599	**4,634,329**
Increase/decrease in assets and liabilities:		
(Increase) / decrease in inventories	(260,449)	(939,254)
Decrease / (increase) in receivables	4,781,823	(5,240,324)
(Increase) / decrease in other assets	(103,245)	(82,655)
(Increase) / decrease in income tax payable	13,810	(25,898)
(Decrease) / increase in trade and other payables	(378,056)	1,040,439
Increase / decrease in other liabilities	195,348	(12,723)
Effect of foreign exchange translation of assets and liabilities	(129,250)	(169,799)
Net cash from / (used in) operating activities	**5,661,580**	**(795,885)**

9 TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Current		
Trade receivables, third parties	2,747,373	2,354,087
Allowance for impairment loss (a)	(57,144)	(38,117)
	2,690,229	2,315,970
Other receivables:		
Other receivables (b)	488,303	5,634,941
Net tax receivable	106,848	135,319
	3,285,380	**8,086,230**
Non- current		
Related party receivables (c)	464,828	478,408
	464,828	**478,408**

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 charge of $19,027 (2010: Impairment write back of $42,615) 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:

	2011 $	2010 $
At 1 January	38,117	80,732
Charge for the year	19,027	(42,615)
	57,144	**38,117**

(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 $464,828 (2010: $478,408) 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.

(e) Foreign exchange and interest rate risk
Details regarding foreign exchange and interest rate risks exposure are disclosed in Note 23.

10 INVENTORIES

	2011 $	2010 $
Raw materials at cost	1,053,431	1,036,578
Finished goods at lower of cost and net realisable value	2,647,469	2,403,873
	3,700,900	**3,440,451**

11 OTHER ASSETS

	2011 $	2010 $
Prepayments	210,301	160,490
Security deposits	74,235	84,033
	284,536	**244,523**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

12 INVESTMENT IN ASSOCIATES

	2011 $	2010 $
Non- current		
Unlisted		
- Mitre Focus Sdn Bhd (a) (i)	933,737	963,722
- Vita Life Sciences (Thailand) Co. Ltd (a) (ii)	145,414	150,040
- Vitahealth (Thailand) Co. Ltd (a) (iii)	599,104	423,718
Investments in associates	**1,678,255**	**1,537,480**
(a) Details of the carrying value of investments and share of profits / (losses) in associates:		
(i) Mitre Focus Sdn Bhd		
- Investment in associate at cost	22	22
- Loan to associate	880,984	910,265
- Cumulative share of associate's profit / (loss)	52,731	53,435
Carrying value of investment in associate	**933,737**	**963,722**
(ii) Vita Life Sciences (Thailand) Co. Ltd		
- Investment in associate at cost	152,118	156,640
- Cumulative share of associate's loss	(6,704)	(6,600)
Carrying value of investment in associate	**145,414**	**150,040**
(iii) Vitahealth (Thailand) Co. Ltd		
- Investment in associate at cost	29,870	30,743
- Loan to associate	843,478	672,836
- Provision against loan	(81,967)	(81,967)
- Cumulative share of associate's loss	(192,277)	(197,894)
Carrying value of investment in associate	**599,104**	**423,718**

12 INVESTMENT IN ASSOCIATES (CONTINUED)

	Place of Incorporation	Ownership Interest 31 December 2011 %	31 December 2010 %
(b) Investment details			
Name of Company			
Unlisted			
- 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

	2011 $	2010 $
(c) Summarised financial information		
The following illustrates summarised financial information relating to the Group's associates:		
Extract from the associates' statement of financial position:		
Current assets	4,452,383	4,170,543
Non - current assets	3,041,381	4,012,006
	7,493,764	8,182,549
Current liabilities	(3,942,720)	(5,044,271)
Non - current liabilities	(707,098)	(263,598)
	(4,649,818)	(5,307,869)
Net assets	2,843,946	2,874,680
Share of associates' net assets	**139,482**	**123,772**
Extract from the associates' income statements:		
Revenue	4,225,952	1,823,567
Net profit / (loss)	42,642	(31,834)

(d) The reporting date of associates is 31 December 2011. 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 exercises significant influence over Vitahealth (Thailand) Co. Ltd;

(g) The Group has an effective equity interest in Mitre Focus Sdn. Bhd. of 6.3%. However, the Group has board representations and participated in the policy-making process of the company. As a result, the Group is able to demonstrate significant influence over Mitre Focus Sdn. Bhd.

(h) As at 31 December 2011, there are no contingent liabilities relating to the associates.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

13 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the year:

	Group			
	Leasehold improvements	Plant and equipment	Leased Plant and Equipment	Total
	$	$	$	$
Year ended 31 December 2011				
At 1 January 2011 net of accumulated depreciation and impairment	73,932	91,716	-	165,648
Additions	10,117	61,376	-	71,493
Disposals	-	(928)	-	(928)
Exchange differences	(1,454)	(1,899)	-	(3,353)
Transfer to Assets Held for Sale ^	(17,993)	(4,432)	-	(22,425)
Depreciation / amortisation for the year	(31,497)	(52,174)	-	(83,671)
At 31 December 2011 net of accumulated depreciation and impairment	**33,105**	**93,659**	- **-**	**126,764**
At 31 December 2011				
Cost value	294,101	1,443,881	119,195	1,857,177
Accumulated depreciation and impairment	(260,996)	(1,350,222)	(119,195)	(1,730,413)
Net carrying amount	**33,105**	**93,659**	**-**	**126,764**

^ It was resolved during the financial year that Property, plant and equipment to a total of $22,425 would be sold at a later date and as such has been transferred to Assets Held for Sale.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

14 INTANGIBLES ASSETS

Reconciliation of carrying amounts at the beginning and end of the period:

	Development costs $	Total $
Year ended 31 December 2011		
At 1 January 2011 net of accumulated depreciation and impairment	57,061	57,061
Additions	23,374	23,374
Amortisation	(9,638)	(9,638)
Exchange differences	(4,935)	(4,935)
At 31 December 2011 net of accumulated depreciation and impairment	**65,862**	**65,862**
At 31 December 2011		
Gross carrying amount	355,058	355,058
Accumulated amortisation and impairment	(289,196)	(289,196)
Total	**65,862**	**65,862**
Year ended 31 December 2010		
At 1 January 2010 net of accumulated depreciation and impairment	52,858	52,858
Additions	12,996	12,996
Impairment / amortisation	(8,568)	(8,568)
Exchange differences	(225)	(225)
At 31 December 2010 net of accumulated depreciation and impairment	**57,061**	**57,061**
At 31 December 2010		
Gross carrying amount	340,909	340,909
Accumulated amortisation and impairment	(283,848)	(283,848)
Total	**57,061**	**57,061**

(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 consolidated statement of comprehensive income 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 2011

15 TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current		
Trade payables (a)	2,267,489	2,684,835
Net tax payable	221,765	99,307
Other payables and accruals	1,286,388	1,369,556
	3,775,642	4,153,698
Loan from associated entities (b)	141,401	148,153
	3,917,043	**4,301,851**

(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. For terms and conditions relating to related parties, refer to note 20.

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

(d) Interest rate, foreign exchange and liquidity risks
Information regarding interest rate, foreign exchange and liquidity risks is set out in note 23.

16 INTEREST BEARING LOANS AND BORROWINGS

	2011 $	2010 $
Current		
Trade financing facility - secured (a)	-	1,052,118
Secured loans (b)	-	712,682
Bank overdrafts - secured (c)	-	48,776
	-	**1,813,576**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

16 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

At reporting date, the following financing facilities had been negotiated and were available:	2011 $	2010 $
Total facilities available:		
Trade financing facility - secured	1,909,885	1,678,408
Secured loans	-	3,017,400
Bank overdraft	261,977	263,788
	2,171,862	**4,959,596**
Facilities utilised at balance date:		
Trade financing facility - secured	-	1,052,118
Secured loans	-	712,682
Bank overdraft	-	48,776
	-	**1,813,576**
Facilities not utilised at balance date:		
Trade financing facility - secured	1,909,885	626,290
Secured loans	-	2,304,718
Bank overdraft	261,977	215,012
	2,171,862	**3,146,020**

(a) Trade financing facility

Trade financing facility is provided by an Australian bank and a Malaysian bank to subsidiaries in the respective countries. The weighted average interest rate for the facility as at 31 December 2011 is 10.47% (2010: 10.79%). The facility has a fixed and floating charge over the assets and undertakings of the subsidiaries.

(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. The loan was repaid in January 2011 and the facility is no longer available.

(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 2011 is 10.74% p.a. (2010: 7.84% 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

16 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(f) Interest rate, foreign exchange and liquidity risks

Details regarding the interest rate, foreign exchange and liquidity risks are disclosed in Note 23.

(g) Default and breaches

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

17 PROVISIONS

	Employee Entitlements $	Others $	Total $
Consolidated			
Balance at 1 January 2011	**107,724**	**138,991**	**246,715**
Arising during the year	27,103	160,472	187,575
Balance at 31 December 2011	**134,827**	**299,463**	**434,290**
At 31 December 2011			
Current	114,845	299,463	414,308
Non-Current	19,982	-	19,982
	134,827	**299,463**	**434,290**
At 31 December 2010			
Current	102,399	138,991	241,390
Non-Current	5,325	-	5,325
	107,724	**138,991**	**246,715**

(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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

18 ISSUED CAPITAL

	2011 Number	2010 Number	2011 $	2010 $
Issued and paid up capital				
Ordinary shares	**57,845,060**	**54,245,307**	**45,568,037**	**45,690,301**
Ordinary shares				
Balance at beginning of the year	54,245,307	54,285,307	45,690,301	45,699,176
Share buy back (a)	(821,683)	(40,000)	(232,927)	(8,875)
Shares issued during the year (b)	133,936	-	34,663	-
Cancellation of Plan Shares of certain employees and Director (c)	(77,500)	-	-	-
Issue of shares to employee / director (d)	4,365,000	-	-	-
Plan shares exercised	-	-	76,000	-
Balance at end of the year	**57,845,060**	**54,245,307**	**45,568,037**	**45,690,301**

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

(a) Share Buy-Back

On 23 May 2011, the Company announced an on-market share buy-back of up to 15% of the Company's shares on issue funded from the Group's existing cash reserves. During the financial year ended 31 December 2011, the Company bought back 821,683 shares for total consideration of $230,395 excluding cost of $2,532.

(b) Share issue

A total of 133,936 ordinary shares were issued on 12 April 2011 at 27 cents per share valued at $34,663 (after ASX share issue costs of $1,500) pursuant to the Dividend Reinvestment Plan (DRP).

(c) Cancellation of Plan Shares

On 27 June 2006, the Company granted limited recourse loans and approved the issue of 77,500 ordinary shares to selected employees of the Group under a Long Term Incentive Plan.

In view of the limited recourse loans having fallen due for these participants, 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 these Plan Shares. On 11 March 2011, the Company cancelled the 77,500 Plan shares issued in 2006.

18 ISSUED CAPITAL (CONTINUED)

(d) Issue of shares to employee/director

At the Company's Annual General Meeting of 20 May 2010, shareholders approved limited recourse loans to be granted for the issue of 2,500,000 ordinary shares to the Managing Director and 325,000 ordinary shares to a director of a subsidiary under a Long Term Incentive Plan.

On 24 March 2011, the Company granted limited recourse loans and approved the issue of 1,540,000 ordinary shares to selected employees of the Group under a Long Term Incentive Plan.

In total, 4,365,000 ordinary shares were issued on 31 March 2011 pursuant to the approvals stated above.

The costs of the equity-settled transactions are measured by reference to the fair value of the equity instruments at the date at which they were 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).

For the year ended 31 December 2011, the Company recognised $216,266 (2010: $13,322) in the income statement with a corresponding increase in employee share based payment reserve.

(e) Repayment of loan on share option scheme to employee/director

During the year ended 31 December 2011, a sum of $76,000 was paid by the Managing Director and a director of a subsidiary to retire a limited recourse loan for 380,000 ordinary shares issued in 2009 under the Company's Long Term Incentive Plan, and 380,000 ordinary shares were issued in place of the 380,000 Long Term Incentive Plan shares.

(f) 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.

The Group's debt and capital includes financial liabilities and ordinary share capital. 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.

Management monitor capital through gearing ratio (net debt over total capital). Management aims to not exceed gearing ratio of 45%.

18 ISSUED CAPITAL (CONTINUED)

The gearing ratio based on continuing operations as at 31 December 2011 and 2010 were as follows:

	2011 $	2010 $
Total interest bearing loans and borrowings	-	1,813,576
Less cash and cash equivalents	(3,632,307)	(455,517)
Net debt / (cash)	(3,632,307)	1,358,059
Total equity	8,956,045	8,129,883
Total capital	5,323,738	9,487,942
Gearing ratio	0.0%	14.3%

(g) Dividends

On 28 February 2012, the Directors declared a final fully franked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2011, totalling $289,225 (2010: fully franked dividend of 0.5 cents per share totalling $270,430). The balance of available franking credits will be reduced to approximately $324,655 subsequent to the dividend payment.

	2011 $	2010 $
Adjusted franking credits (tax paid basis)	**448,609**	**564,507**

19 RESERVES

Nature and purpose of reserves

(a) Employee share based payments reserve

The employee share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

20 RELATED PARTY DISCLOSURE

(a) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 21.

(b) Ultimate holding company

Vita Life Sciences Limited is the ultimate holding company for the Group.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

20 RELATED PARTY DISCLOSURE (CONTINUED)

(c) Subsidiaries

The consolidated financial statements include the financial statements of Vita Life Sciences Limited and the subsidiaries listed in the following table.

Name	Place of Incorporation	Percentage of Equity Interest 2011 %	2010 %
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
Vitahealth Biotech Sdn Bhd (formerly 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	100
VitaHealth IP Pte Limited	Singapore	100	100
Vita Health (Vietnam) Company Limited	Vietnam	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
PT. Vitahealth Indonesia	Indonesia	100	-

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

20 RELATED PARTY DISCLOSURE (CONTINUED)

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	2011 $	2010 $
Other transactions with related parties		
Business Intelligence & Support Inc (i)	175,731	135,546
CVC Venture Managers Pty Ltd (ii)	50,715	135,240
Pilmora Pty Ltd (iii)	15,000	15,000
CVC Limited	-	18,182

(i) During the financial year, Business Intelligence & Support Inc (BISI), a company in which Mr Eddie L S Tie is a director, and therefore a related party, provided international business advisory, sales, marketing and promotional services to the Group. As at 31 December 2011, a balance of $32,149 was payable to BISI and is disclosed in trade and other payables.

(ii) CVC Venture Managers Pty Ltd, a company in which Mr Vanda Gould, Mr J S Sharman and Mr Henry Townsing are directors, and therefore a related party, was paid $50,715 (2010: $135,240) for consultancy services during the financial year. There was no amount payable as at 31 December 2011.

(iii) Pilmora Pty Ltd, a company where Mr Henry Townsing is a director and therefore a related party, was paid $15,000 (2010: $15,000) for consultancy services during the financial year. There was no amount payable as at 31 December 2011.

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

Outstanding related party receivables and payables at year-end are unsecured, interest free and settlement occurs in cash.

21 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors	
Vanda Gould	Chairman (Non-executive)
Eddie L S Tie	Managing Director
J S Sharman	Director (Non-executive)
Henry Townsing	Director (Non-executive)
Executives	
P L Lee	Executive Director – Vita Healthcare Asia Pacific, the Group's operating entity
Geoffrey Pak	President – Multi-Level Marketing
Nathan A Cheong	General Manager – Australia and New Zealand
L M Leong	General Manager – Singapore, China and Indonesia
Edmund E M Sim	General Manager – Regional Regulatory and Vietnam

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

21 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Compensation of Key Management Personnel
In accordance with the Corporations Amendment Regulations 2005 (No.4), the Company has transferred the remuneration disclosures required by *AASB 124: Related Party Disclosures* from the notes to the financial statements, to the Directors' Report under the heading of 'Remuneration Report'.

22 PARENT ENTITY DISCLOSURE

Balance Sheet

Financial position as at 31 December 2011	Notes	Company 2011 $	Company 2010 $
ASSETS			
Current Assets		712,253	6,054,417
Non - Current Assets		6,771,260	10,474,798
Total Assets		7,483,513	16,529,215
LIABILITIES			
Current Liabilities		336,848	8,541,248
Non - Current Liabilities		-	342,451
Total Liabilities		336,848	8,883,699
Equity			
Issued capital		45,568,037	45,690,301
Accumulated losses		(38,693,049)	(38,100,196)
Employee share based payments reserve		271,677	55,411
Total Equity		**7,146,665**	**7,645,516**
Financial Performance for the year ended 31 December 2011			
(Loss) / profit for the year		(322,423)	3,497,239
Other comprehensive income / (expense)		-	-
Total comprehensive (expense) / income for the year		**(322,423)**	**3,497,239**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank overdrafts, secured loans, finance leases, cash and short-term deposits.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Group manages these risks in accordance with the Group's financial risk management policy. The objective of this policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

The Board review and agrees policies for managing each of these risks and they are summarised below.

Risk exposures and responses

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term borrowing obligations. The level of borrowings is disclosed in note 16. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2011 $	2010 $
Financial assets		
Cash at bank and in hand	2,410,666	261,573
Short term deposit	1,221,641	193,944
	3,632,307	455,517
Financial liabilities		
Trade financing facility - secured	-	1,052,118
Bank overdrafts - secured	-	48,776
	-	**1,100,894**
Net exposure	**3,632,307**	**(645,377)**

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

At 31 December 2011, if interest rate had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)	
	2011	**2010**
	$	**$**
+ 1.00% (100 basis points)	10,241	(2,502)
- 0.50% (50 basis points)	(5,121)	1,251

Credit risk
Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial asset:

	2011	**2010**
	$	**$**
Financial assets		
Cash at bank and in hand (a)	2,410,666	261,573
Short term deposit (a)	1,221,641	193,944
Trade and receivables (b)	3,285,380	8,086,230
Related party receivables (b)	464,828	478,408
	7,382,515	9,020,155

(a) Cash at bank and, short term deposit
The Group mitigates credit risk on cash at bank and short deposit by dealing with regulated banks in Australia and Asia.

(b) Trade and other receivables
The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the measurement currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Managing Director or Executive Director of that business.

Exposure at balance date is addressed in each application note. The Group does not have any assets which are past due on balance date.

Foreign currency risk
As a result of significant operations in the Asian countries, the Group's statement of financial position can be affected significantly by movements in the exchange rates of these countries. The Group does not hedge this exposure. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

At 31 December 2011, the Group had the following exposure to foreign currency:

	2011 $	2010 $
Financial assets		
Cash and cash equivalents		
- Singapore Dollar (SGD)	554,785	135,242
- Malaysia Ringgit (RM)	858,916	250,211
- Hong Kong Dollar (HKD)	206,002	2,832
- Chinese Yuan Renminbi (RMB)	176,701	55,444
Trade and other receivables		
- Singapore Dollar (SGD)	519,299	236,475
- Malaysia Ringgit (RM)	1,413,703	1,508,948
- Hong Kong Dollar (HKD)	7,479	7,640
- Chinese Yuan Renminbi (RMB)	-	65,213
	3,736,885	**2,262,005**
Financial liabilities		
Trade and other payables		
- Singapore Dollar (SGD)	519,099	556,175
- Malaysia Ringgit (RM)	997,346	804,525
- Hong Kong Dollar (HKD)	38,028	133,531
- Chinese Yuan Renminbi (RMB)	103,740	48,284
- Indonesian Rupiah (Rp)	757	613
Bank overdrafts		
- Malaysia Ringgit (RM)	-	48,155
	1,658,970	**1,591,283**
Net exposure	**2,077,915**	**670,722**

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following sensitivity is based on the foreign currency risk expenses in existence at the balance date.

At 31 December 2011, had the Australian Dollar moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)		Equity Higher/ (Lower)	
	2011 $	2010 $	2011 $	2010 $
AUD/ SGD + 10.0%	(46,442)	(45,753)	(12,465)	33,383
AUD/ SGD - 5.0%	26,863	22,233	8,420	(23,603)
AUD/ RM + 10.0%	(18,648)	(1,413)	(309,903)	(121,690)
AUD/ RM - 5.0%	14,019	(5)	183,842	65,848
AUD/ HK + 10.0%	11,949	3,450	(20,009)	(32,374)
AUD/ HK - 5.0%	(6,918)	(6,190)	12,542	14,479
AUD/ RMB + 10.0%	1,641	8,754	(31,798)	(30,066)
AUD/ RMB - 5.0%	(950)	(9,261)	19,368	13,142

Price risk
The Group's direct exposure to commodity price risk is minimal.

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

The table below reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital (inventories, trade receivables and investment in property plant and equipment). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group monitors its expected settlement of financial assets and liabilities on an ongoing basis.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)
At 31 December 2011, the Group has available approximately $2.2 million (2010: $3.1 million) of unused credit facilities available for immediate use.

	Weighted average interest rate	Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2011					
Financial Assets					
Cash assets	3.76%	2,410,666	1,221,641	-	3,632,307
Trade and other receivables	n/a	-	3,285,380	464,828	3,750,208
		2,410,666	4,507,021	464,828	7,382,515
Financial Liabilities					
Trade and other payables	n/a	-	3,917,043	-	3,917,043
		-	3,917,043	-	3,917,043

Consolidated	Weighted average interest rate	Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2010					
Financial Assets					
Cash assets	2.50%	261,572	193,945	-	455,517
Trade and other receivables	n/a	-	8,086,230	478,408	8,564,638
		261,572	8,280,175	478,408	9,020,155
Financial Liabilities					
Trade and other payables	n/a	-	4,301,851	-	4,301,851
Trade finance facility	10.79%	1,052,118	-	-	1,052,118
Secured loans	12.50%	712,682	-	-	712,682
Bank overdrafts - secured	7.84%	48,776	-	-	48,776
		1,813,576	4,301,851	-	6,115,427

Fair value
All of the Group's financial instruments recognised in the statement of financial position have been assessed as at fair values.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

24 SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

	2011 $	2010 $
Expense arising from equity-settled share based payment transactions	216,266	13,322
	216,266	**13,322**

The share-based payment plans are described below.

(b) Type of share based payment plans

(i) Shares

Long Term Incentive Plan ("Plan") Shares are granted to certain executive directors and certain employees.

In valuing transactions settled by way of issue of shares, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Vita Life.

All Plan Shares issued have market performance conditions and certain performance conditions ("Hurdles") so as to align shareholder return and reward for the Company's selected management and staff ("Participants").

The Board has residual discretion to accelerate vesting i.e. reduce or waive the Hurdles and exercise of Plan Shares in the event of a takeover or merger or any other circumstance in accordance with the terms of the Plan.

Plan Shares in relation to which Hurdles have not been satisfied i.e. that do not vest will lapse and will not be able to be exercised, except in the circumstances described below.

Plan Shares which have not vested will lapse where a Participant ceases employment with the Company other than on retirement, redundancy, death or total and permanent disablement or unless as otherwise determined by the Board in its absolute discretion.

Where a Participant has ceased employment with the Company as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period only Plan Shares that have vested may be retained by the Participant on a pro-rata basis. If a Plan share holder ceases employment for any reasons mentioned above prior to the first anniversary of the grant date, the Participant forfeits all entitlement to Shares.

(ii) Plan Shares issued in 2006

At the Company's Annual General Meetings held on 12 April 2006, shareholders approved the issue of 377,500 Plan Shares to a Director, a director of a subsidiary and certain Company's Executives.

In view of the limited recourse loans having fallen due for certain Participants, 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. Between 24 June and 25 August 2009, the Company cancelled the 300,000 Plan Shares issued in 2006. On 11 March 2011, the balance of 77,500 Plan Shares was cancelled.

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(b) Type of share based payment plans (Continued)

(iii) Plan Shares issued in 2009

At the Company's 2009 Annual General Meeting, shareholders granted approval for limited recourse loans 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. 325,000 of the Managing Director's Plan Shares passed the vesting date without being exercised, and thus expired. The director of a subsidiary exercised 75,000 of these shares on 23 May 2011 and the Managing Director exercised 305,000 of these shares on 28 June 2011.

(iv) Plan Shares issued in 2011

At the Company's 2010 Annual General Meeting, shareholders granted approval for limited recourse loans to the Managing Director of the Group, a director of a subsidiary of the Group and key executives. On 31 March 2011, 2,500,000, 325,000 and 1,540,000 Plan Shares were issued to the Managing Director, the director of a subsidiary and the key executives respectively.

(v) Plan Shares

AASB 2 Share-based Payment requires that the benefit to an employee arising from an employee share scheme such as the Vita Life Plan be treated as an expense over the period in which the benefit is gained. All of the above issues of Plan shares have been treated as Plan Share Options ("implied options") in accordance with AASB 2.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in Plan Shares issued during the year.

	2011 No.	2010 No.	2011 WAEP	2010 WAEP
Outstanding at the beginning of the year	1,162,500	1,162,500	0.26	0.26
Granted during the year - b(iv)	4,365,000	-	0.23	-
Exercised during the year - b(iii)	(380,000)	-	(0.20)	-
Expired during the year - b(ii)	(402,500)	-	(1.00)	-
Outstanding at the end of the year	**4,745,000**	**1,162,500**	**0.23**	**0.26**

The outstanding balance of the Plan Shares as at 31 December 2011 is represented by:

- 75,000 ordinary shares with an exercise price of $0.23 each, exercisable until 30 June 2012 with no performance hurdle;
- 305,000 ordinary shares with an exercise price of $0.23 each, exercisable upon Health division meeting cumulative profit before tax of not less than $4.0 million for the 3 years ending 31 December 2009, 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 1,130,000 ordinary shares with an exercise price of $0.20 each, exercisable until 30 June 2012 with no performance hurdle;
- 1,695,000 ordinary shares with an exercise price of $0.24 each, exercisable upon Health division meeting cumulative profit before tax of not less than $8.0 million for the 3 years ending 31 December 2010, 2011 and 2012 with expiry of the Plan Share Option on 30 June 2013;

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(b) Type of share based payment plans (Continued)

(v) Plan Shares (Continued)

- 637,500 ordinary shares with an exercise price of $0.24 each, exercisable upon Health division meeting cumulative profit before tax of not less than $4.4 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 162,500 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Singapore operating subsidiary, VitaHealth Asia Pacific (S) Pte Limited, China operating subsidiary, Herbs of Gold (Shanghai) Co Ltd and the Indonesia business trading under Vita Health (Macao Commercial Offshore) Ltd of not less than SGD 1.7 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 162,500 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Singapore operating subsidiary, VitaHealth Asia Pacific (S) Pte Limited of not less than SGD 1.1 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 162,500 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Australian operating subsidiary, Herbs of Gold Pty Limited of not less than $1.9 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 250,000 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Multi-Level Marketing subsidiary, Vita Life Sciences Sdn Bhd of not less than RM 2.1 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 80,000 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Multi-Level Marketing subsidiary, Vita Life Sciences Sdn Bhd of not less than RM 2.1 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012;
- 70,000 ordinary shares with an exercise price of $0.24 each, exercisable upon meeting cumulative profit before tax of the Group's Thailand associate company, Vitahealth (Thailand) Co. Ltd of not less than THB 3.5 million for the 2 years ending 31 December 2010 and 2011 with expiry of the Plan Share Option on 30 June 2012; and
- 15,000 ordinary shares with an exercise price of $0.24 each, exercisable until 30 June 2012 with no performance hurdle;

(vi) Range of exercise price, weighted average remaining contractual life, weighted average fair value and weighted average value of share price at date of exercise of Plan Shares

The range of exercise prices for Plan Shares outstanding at the end of the year was $0.20 - $0.24.

The weighted average remaining contractual life for the Plan Shares outstanding at 31 December 2011 is 0.73 years (2010: 0.95 years).

The weighted average fair value of Plan Shares granted during the year was $0.08 (2010: $0.02).

The weighted average share price at the date Plan Shares were exercised during the year was $0.28 (2010: no Plan Shares exercised).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(vii) Implied option pricing

The following assumptions were used to derive a value for the implied options granted using the Black Scholes Option model as at the grant date, taking into account the terms and conditions upon which the Plan Shares were granted:

	Plan Shares issued in				
	2011		**2009**		**2006**
Exercise price per implied option	**$ 0.24**	**$ 0.20**	**$ 0.23**	**$ 0.20**	**$1.00**
Dividend yield	-	-	-	-	-
Expected annual volatility	30.00%	30.00%	30.00%	30.00%	30.00%
Risk-free interest rate (p.a.)	5.00%	5.00%	4%- 5%	4%- 5%	6.00%
Expected life of implied option (Years)	1.25 - 2.25 years	1.25 years	2.5 years	1.0 - 1.5 years	3.5 - 5 years
Fair value per implied option	$0.07 - $0.10	$0.08	$0.03 - $0.04	$0.02 - $0.04	$0.00 - $0.40
Exercise price per implied option	$0.24	$0.20	$0.23	$0.20	$1.00
Share price at grant date	$0.28	$0.28	$0.18 - $0.20	$0.18 - $0.20	$0.05
Model used	Black Scholes		Black Scholes		Black Scholes

In respect of the implied options arising from the Plan Shares granted in 2006 and 2009, the expected volatility was determined using historic data over a 41 month period from August 2007 to December 2010. In respect of the implied options arising from the Shares granted in 2011, the expected volatility was determined using historic data over a 24 month period from December 2009 to December 2011. The expected volatility for the implied options was adjusted to reflect comparable companies in terms of industry and market capitalisation. The implied options arising from the Plan are not listed and as such do not have a market value.

25 COMMITMENTS

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for various offices and warehouse facilities.

These leases have an average life of between 1 and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2011 $	**2010** $
Within one year	263,147	206,337
After one year but not more than five years	239,063	193,934
	502,210	**400,271**

The Group paid $295,482 (2010: $277,745) for rental payments on operating leases during the financial year.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

26 NET TANGIBLE ASSET PER SHARE

	2011 $	2010 $
Net assets per share	0.17	0.15
Net tangible assets per share	0.17	0.15
	Number	**Number**
Weighted average number of ordinary shares for net assets per share	52,588,549	54,272,751

27 SUBSEQUENT EVENTS AFTER BALANCE DATE

Dividends

On 28 February 2012, the Directors declared a final fully franked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2011, payable on 17 April 2012.

Other than the above, there is no subsequent event after balance date that affects the operating results or financial position of the Company and its subsidiaries

28 AUDITORS' REMUNERATION

The auditor of Vita Life Sciences Limited is Russell Bedford NSW.

	2011 $	2010 $
Amount receivable or due and receivable by Russell Bedford NSW for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	87,300	85,000
Other services in relation to the entity and any other entity in the consolidated group		
- tax compliance services	16,006	16,608
- share registry	41,399	24,146
	144,705	**125,754**
Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:		
- audit or review of the financial report	57,465	46,237

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 28 to 82 are in accordance with the *Corporations Act 2001* and:

   (a) Comply with Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) Give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company and consolidated group;

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) The financial records of the consolidated group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) The financial statements and notes for the financial year comply with Accounting Standards; and

   (c) The financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

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

Eddie L S Tie
Managing Director
23 March 2012

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New South Wales

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF VITA LIFE SCIENCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vita Life Sciences Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

(a) the financial report of Vita Life Sciences Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 17 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

RUSSELL BEDFORD NSW
Chartered Accountants

MALCOLM BEARD, M.Com. F.C.A.
Partner

23 March 2012

ASX Additional Information

The following information is current as at 14 March 2012

A. SUBSTANTIAL SHAREHOLDERS

The following have advised that they have a relevant interest in the capital of Vita Life Sciences Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Shareholder	**No of ordinary shares held**	**Percentage held of issued ordinary capital**
Chemical Trustee Limited	8,551,439	14.8%
Stinoc Pty Limited (a subsidiary of CVC Limited)	8,041,718	13.9%
Barings Acceptance Limited	7,371,832	12.8%
Eddie L S Tie	5,886,017	10.2%
Llyods & Casanove Investment Partners Limited	4,135,498	7.2%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 14 March 2012:

Category	**Ordinary shareholders**
1 - 1,000	61
1,001 - 5,000	288
5,001 - 10,000	116
10,001 - 100,000	177
100,001 and over	42
	684

(ii) There were 83 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

	Ordinary shares	
Twenty largest quoted equity security holders	**Number held**	**Percentage of shares issued**
Chemical Trustee Limited	8,551,439	14.8%
Stinoc Pty Limited (a subsidiary of CVC Limited)	8,041,718	13.9%
Barings Acceptance Limited	7,371,832	12.8%
Eddie L S Tie	5,886,017	10.2%
Lloyds & Casanove Investment Partners Limited	4,135,498	7.2%
Normandy Finance and Investments Limited	2,140,542	3.7%
Normandy Nominees Limited	1,522,913	2.6%
Normandy Finance & Investments Asia Limited	1,518,147	2.6%
OCI Construction Limited	1,368,688	2.4%
Abasus Investments Limited	1,358,535	2.3%
South Seas Holdings Pty Limited	1,324,074	2.3%
Derrin Brothers Properties Limited	1,156,053	2.0%
Andrew Tan Teik Wei	1,154,776	2.0%
Sycamoor Pty Limited	485,611	0.8%
Phillip Securities Pte Limited	400,000	0.7%
T & P Holdings Pty Limited	365,947	0.6%
Universal Trustee (Malaysia) Berhad	296,298	0.5%
CVC Venture Managers Pty Limited	283,195	0.5%
Kangiara Pty Limited	248,263	0.4%
Ms Swee Kheng Lee	200,000	0.3%

D. VOTING RIGHTS

The Company's Constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

Corporate Directory

Board of Directors

Vanda Gould
Non-Executive Chairman

Eddie L S Tie
Managing Director

John Sharman
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
Ernest Chunge

Corporate Office
Suite 630, Level 6
1 Queens Road
Melbourne VIC 3004
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F: 61(03) 9820 5957

Australian Regional Office
Unit 1/ 102,
Bath Road Kirrawee
NSW 2232
T: 61 (02) 9545 2633
F: 61 (02) 9545 1311

Asian Regional Office
81G, Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Malaysia
T: 60 (03) 7729 3873
F: 60 (03) 7727 4658

Securities Exchange Listing
The ordinary shares of Vita Life Sciences Limited are listed on the Australian Securities Exchange Ltd (code: VSC).

Auditor
Russell Bedford NSW
Level 42, SunCorp Place
259 George Street
Sydney NSW 2000

Banker
Westpac Banking Corporation

National Australia Bank Limited

Solicitor
Piper Alderman

Henry Davis York

Share Registry
Gould Ralph Pty Ltd
Level 42, SunCorp Place
259 George Street
Sydney NSW 2000
T: 61 (02) 9032 3000
F: 61 (02) 9032 3088

Change of Address
Shareholders who have changed address should advise our share registry in writing.

Annual Report Mailing
Shareholders who do not want the annual report or who are receiving more than one copy should advise the share registry in writing.

Vita Life Website
Vita Life has a website containing information about the Company, its Business and Products.

www.vitalifesciences.com.au

VitaHealth
awarded
The 2011 Asia Pacific BrandLaureate for
Best Brands in Wellness - Supplements

VITA LIFESCIENCES SDN BHD (Malaysia)
awarded
The 7th Asia Pacific Super Excellent Brand 2011
for Leadership Excellence in
Brand Development and
Management Organisation

Vita Life Sciences Limited Annual Report 2011

Vita Life Sciences Limited
ACN 003 190 421
ABN 35 003 190 421

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