Preliminary Final Report of

Vita Life Sciences Limited

For the Year Ended 31 December 2011

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

Current Reporting Period:	Financial Year Ended 31 December 2011
Previous Corresponding Period:	Financial Year Ended 31 December 2010

Vita Life Sciences Limited and its Controlled Entities
ABN 35 003 190 421

Contents

Name of Entity: Vita Life Sciences Limited

ABN: 35 003 190 421

Results for announcement to the market

		Percentage Change %	2011 A$
Revenue	up	15.6	24,266,646
Profit from continuing operations before tax and finance costs	down	70	1,488,947
Profit before income tax	down	70	1,402,841
Net profit after tax	down	73	1,212,521
Net profit attributable to members	down	73	1,212,521

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim dividend per share	Nil	Nil
Final dividend per share	0.5 cent	0.5 cent

Ex-Dividend date for the purpose of receiving the dividend	26-Mar-12
Record date for determining entitlements to dividends	30-Mar-12
Payment date	17-Apr-12

Dividend Reinvestment Plan ("DRP")

Key terms of Vita Life Sciences Limited's DRP in operations are:

- The price at which shares are issued under the DRP is 97.5% of the daily volume weighted average market price per share of Vita Life Sciences Limited ordinary shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 5 trading days up to and including the Record Date (or 2.5% discount is applicable to shares issued under DRP);
- No brokerage, commission or other transaction costs will be payable by participants on shares acquired under DRP;
- No foreign conduit income is attributed to the dividend.

The last date for receipt of election notices for DRP: 30 March 2012

Commentary on Results

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

Financial Overview

Vita Life Sciences Limited 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 $0.15 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.

Divisional Results

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

	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

Commentary on Results (Continued)

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 Thailand 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 to term.

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.

Cash Flow Analysis

Gross proceeds from the Pan Case settlement of $5.0 million, foreign currency translation and increment in receipts from customers as a result of sales growth contributed to the Group's positive cash flow.

Overall, the net cash balance increased during the period by $3.24 million (2010: net cash outflows of $0.65 million) and the Group's cash and cash equivalent position was $3.62 million (2010: $0.46million).

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

Commentary on Results (Continued)

	2011 $	2010 $
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) from Continuing Operations	1,539,061	918,680
Pan Case costs (net)	43,195	(896,409)
EBITDA	1,582,256	22,271
Changes in working capital:		
(Increase) / decrease in receivables	(218,177)	(240,324)
Decrease in balance owing from Pan Case	5,000,000	-
(Increase) / decrease in inventories	(260,449)	(939,254)
(Increase) / decrease in other assets	(103,245)	(82,655)
Increase / (decrease) in trade payables	(378,056)	1,040,439
Decrease income tax payables	13,810	(25,898)
(Decrease) / increase in other payables and accruals	195,348	(12,723)
Adjustments for non-cash income and expense items:	329,078	174,810
Effect of foreign exchange translation of assets and liabilities	(129,250)	(169,799)
	6,031,315	**(233,133)**
Depreciation and Amortisation	(93,309)	(117,608)
Interest expense (net)	(86,106)	(278,416)
Tax expense	(190,320)	(166,728)
Net cash flows provided by / (used in) operating activities	**5,661,580**	**(795,885)**
Net cash flows used in investing activities	(71,041)	(137,969)
Net cash flows from financing activities	(2,353,987)	285,984
	3,236,552	**(647,870)**

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.

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	3 (a)	210,349	6,099,517
Distribution expenses		(2,071,405)	(1,885,363)
Marketing expenses		(1,804,202)	(1,821,159)
Occupancy expenses		(639,212)	(605,465)
Administrative expenses	3 (b)	(9,520,953)	(9,806,457)
Other expenses	3 (c)	(402,186)	(263,385)
Share of associates profit / (loss)		(1,139)	56,518
Profit / (loss) from continuing operations before interest and taxes		1,488,947	4,904,663
Finance income	3 (d)	78,180	10,500
Finance costs	3 (e)	(164,286)	(288,916)
Profit / (loss) before income tax		1,402,841	4,626,247
Income tax (expense) / credit	5	(190,320)	(166,728)
Net profit / (loss) for the year		1,212,521	4,459,519
Other comprehensive (expense) / income after income tax			
Exchange differences on translating foreign controlled entities		(196,351)	(223,608)
Other comprehensive (expense) / income for the year, net of income tax		(196,351)	(223,608)
Total comprehensive income / (expense) for the year		**1,016,170**	**4,235,911**
Profit attributable to minority interest		-	-
Profit / (loss) attributable to members of the parent		1,212,521	4,459,519
		1,212,521	4,459,519
Total comprehensive (expense) / income attributable to:			
Minority interest		-	-
Members of the parent		1,016,170	4,235,911
		1,016,170	4,235,911
Earnings per share (cents per share)	4		
- basic earnings per share for continuing operations		2.12	8.22
- basic earnings per share		2.12	8.22
- diluted earnings per share		2.12	8.22

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

Consolidated Statement of Financial Position

as at 31 December 2011	Notes	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,632,307	455,517
Trade and other receivables	7	3,285,380	8,086,230
Inventories	8	3,700,900	3,440,451
Other assets	9	284,536	244,523
Assets held for sale		22,425	-
Total Current Assets		10,925,548	12,226,721
Non Current Assets			
Trade and other receivables	7	464,828	478,408
Investment in associates	10	1,678,255	1,537,480
Property, plant and equipment	11	126,764	165,648
Intangible assets	12	65,862	57,061
Deferred tax assets	5	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	13	3,917,043	4,301,851
Interest bearing loans and borrowings	14	-	1,813,576
Current tax liability		34,009	20,199
Provisions	15	414,308	241,390
Total Current Liabilities		4,365,360	6,377,016
Non Current Liabilities			
Deferred Tax Liability	5	7,773	-
Provisions	15	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	16	45,568,037	45,690,301
Accumulated losses		(35,355,062)	(36,297,153)
Employee share based payments reserve		271,677	55,411
Foreign currency translation reserve		(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	6 (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)
Additonal investment in associates		-	-
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		(232,927)	(8,875)
Proceeds from issue of shares		110,663	-
Share issue costs		-	-
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	6 (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	Issued Capital	Accumulated Losses	Employee Share Based Payments Reserve	Foreign Currency Translation Reserve	Attributable to Equity Holders of Parent	Minority Interests	Total
	$	$	$	$	$	$	$
Balance at 1 Jan 2010	45,699,176	(40,756,672)	42,089	(1,573,476)	3,411,117	489,764	3,900,881
Profit attributable to members of parent entity	-	4,459,519	-	-	4,459,519	-	4,459,519
Shares bought back	(8,875)	-	-	-	(8,875)	-	(8,875)
Employee share option scheme	-	-	13,322	-	13,322	-	13,322
Exchange difference on translation of minority interests	-	-	-	-	-	(11,356)	(11,356)
Total comprehensive expense for the year	-	-	-	(223,608)	(223,608)	-	(223,608)
Balance at 31 Dec 2010	45,690,301	(36,297,153)	55,411	(1,797,084)	7,651,475	478,408	8,129,883
Balance at 1 Jan 2011	45,690,301	(36,297,153)	55,411	(1,797,084)	7,651,475	478,408	8,129,883
Profit attributable to members of parent entity	-	1,212,521	-	-	1,212,521	-	1,212,521
Issue of Shares (net of issue costs)	34,663	-	-	-	34,663	-	34,663
Shares bought back	(232,927)	-	-	-	(232,927)	-	(232,927)
Dividends paid	-	(270,430)	-	-	(270,430)	-	(270,430)
Employee share option scheme	-	-	216,266	-	216,266	-	216,266
Repayment of loans on Employee share option scheme	76,000	-	-	-	76,000	-	76,000
Exchange difference on translation of minority interests	-	-	-	-	-	(13,580)	(13,580)
Total comprehensive expense for the year	-	-	-	(196,351)	(196,351)	-	(196,351)
Balance at 31 Dec 2011	45,568,037	(35,355,062)	271,677	(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

Notes to the Financial Statements

For the Year Ended 31 December 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The financial report is presented in Australian dollars.

(b) Statement of compliance

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries ("the Group") as at 31 December 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.

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(d) Business combinations

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

Except for non-current assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the 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 VitaHealthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

(ii) Transactional and balances

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(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

1 Summary of Significant Accounting Policies (continued)

(i) Property, plant and equipment

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

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably. All other repairs and maintenance are charged to the 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
Motor Vehicles	20-50%	Straight-line method

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

(j) Goodwill and Intangibles

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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

Intangibles

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows 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 impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Trade and other payables

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

(m) Interest bearing loans and borrowings

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

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

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

Borrowing costs

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(n) Provisions

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

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

(p) Issued capital

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

(q) Leases

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(q) Leases (continued)

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(s) Taxes

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

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

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(s) Taxes (continued)

Tax consolidation

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

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

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

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

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

(t) Other taxes

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments

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

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

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

De-recognition of financial instruments

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments (continued)

Financial assets carried at amortised cost

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

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

Financial assets carried at cost

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(w) Share-based payment transactions

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

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

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

At each subsequent reporting date until vesting, the cumulative charge to the 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 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.

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted

There are no changes to accounting policies applicable for the financial year ended 31 December 2011 for the Company and the consolidated entity.

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

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

AASB 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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

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

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.

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.

1 Summary of Significant Accounting Policies (continued)

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

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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

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

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Segment Information

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

Geographical segment

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 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

2 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	-	11,670,905
Investment in associates			1,678,255
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)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

2 Segment Information (continued)

	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

3 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)
Foreign currency expenses	(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

4 EARNINGS PER SHARE

	2011 $	2010 $
(a) Earnings / (loss) used in calculating earnings per share		
Net profit / (loss) attributable to equity holders from continuing operations	1,212,521	4,459,519
Net profit / (loss) 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	57,160,632	54,272,751
Adjusted weighted average number of ordinary shares for diluted earnings per share	57,160,632	54,272,751

5 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**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

5 INCOME TAXES (continued)

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

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

	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**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

5 INCOME TAXES (Continued)

(d) Tax losses

The Group has Australian carry forward tax losses for which no deferred tax assets is recognised on the statement of financial position of $12,290,697 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
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

5 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

6 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 is $3,632,307 (2010: $455,517).

	2011	**2010**
(d)	**$**	**$**
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	2,960,666	261,573
Short term deposit	671,641	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

6 CASH AND CASH EQUIVALENTS (CONTINUED)

	2011 $	2010 $
Net profit / (loss) 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 / (profit) on disposal of property, plant & equipment	476	4,528
Shared based payment expense	216,266	13,322
(Reversal) / allowance 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)
(Increase) / decrease in receivables	4,781,823	(5,240,324)
(Increase) / decrease in other assets	(103,245)	(82,655)
(Decrease) / increase in income tax payable	13,810	(25,898)
Increase / (decrease) in trade and other payables	(378,056)	1,040,439
(Decrease) / increase in other liabilities	195,348	(12,723)
Effect of foreign exchange translation of assets and liabilities	(129,250)	(169,799)
Net cash used in operating activities	**5,661,580**	**(795,885)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

7 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**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $19,027 (2010: impairment write back $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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

8 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**

9 OTHER CURRENT ASSETS

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

10 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**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

10 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Details of the carrying value of investments and share of profits / (losses) in associates (continued):

(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**

	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

	CONSOLIDATED 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 / (liabilities)	2,843,946	2,874,680
Share of associates' net assets / (liabilities)	**139,482**	**123,772**
Extract from the associates' income statements:		
Revenue	4,225,952	1,823,567
Net profit / (loss)	42,642	(31,834)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

10 INVESTMENT IN ASSOCIATES (CONTINUED)

(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) 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

11 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	**Plant and equipment**	**Leased Plant and Equipment**	**Total**
	$	**$**	**$**	**$**
Year ended 31 December 2011				
At 1 January 2010 net of accumulated depreciation and impairment	73,932	91,716	-	165,648
Additions	10,117	48,113	13,263	71,493
Disposals	-	(928)	-	(928)
Exchange differences	(1,454)	(1,917)	18	(3,353)
Reclassification of property, plant & equipment	(17,993)	(4,432)	-	(22,425)
Depreciation / amortisation for the year	(31,497)	(51,420)	(754)	(83,671)
At 31 December 2010 net of accumulated depreciation and impairment	**33,105**	**81,132**	**12,527**	**126,764**
At 31 December 2011				
Cost value	294,101	1,430,618	132,458	1,857,177
Accumulated depreciation and impairment	(260,996)	(1,349,486)	(119,931)	(1,730,413)
Net carrying amount	**33,105**	**81,132**	**12,527**	**126,764**

	Group			
	Leasehold improvements	**Plant and equipment**	**Leased Plant and Equipment**	**Total**
	$	**$**	**$**	**$**
Year ended 31 December 2010				
At 1 January 2010 net of accumulated depreciation and impairment	19,918	113,563	6,495	139,976
Additions	90,054	52,103	-	142,157
Disposals	-	(1,946)	(6,770)	(8,716)
Exchange differences	657	146	468	1,271
Depreciation / amortisation for the year	(36,697)	(72,150)	(193)	(109,040)
At 31 December 2010 net of accumulated depreciation and impairment	**73,932**	**91,716**	**-**	**165,648**
At 31 December 2010				
Cost value	325,954	1,405,505	119,195	1,850,654
Accumulated depreciation and impairment	(252,022)	(1,313,789)	(119,195)	(1,685,006)
Net carrying amount	**73,932**	**91,716**	**-**	**165,648**

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2011 is $12,527 (2010: $Nil).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

12 INTANGIBLES ASSETS

	Development costs $
Consolidated	
Year ended 31 December 2011	
At 1 January 2010 net of accumulated depreciation and impairment	57,061
Additions	23,374
Amortisation	(9,638)
Exchange differences	(4,935)
At 31 December 2011 net of accumulated depreciation and impairment	**65,862**
At 31 December 2011	
Gross carrying amount	355,058
Accumulated amortisation and impairment	(289,196)
Total	**65,862**
Year ended 31 December 2010	
At 1 January 2009 net of accumulated depreciation and impairment	52,858
Additions	12,996
Impairment / amortisation	(8,568)
Exchange differences	(225)
At 31 December 2010 net of accumulated depreciation and impairment	**57,061**
At 31 December 2010	
Gross carrying amount	340,909
Accumulated amortisation and impairment	(283,848)
Total	**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 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

13 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.

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

14 INTEREST BEARING LOANS AND BORROWINGS

	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

14 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 subsidiary.

(b) Secured loan

The loan was provided by an external foreign company. The facility was secured over the assets and undertakings of the Company and the consolidated entity. The facility was fully paid in January 2011 and the Group cancelled the facility.

(c) 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.

(d) Fair value

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

(e) Default and breaches

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

15 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.

16 CONTRIBUTED EQUITY

	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)	-	-	-
Issued of shares to employee / director (d)	4,365,000	-	-	-
Repayment of loans on share options scheme to employee/director (e)	-	-	76,000	-
Balance at end of the year	**57,845,060**	**54,245,307**	**45,568,037**	**45,690,301**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

16 CONTRIBUTED EQUITY (CONTINUED)

(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.

(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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

16 CONTRIBUTED EQUITY (CONTINUED)

(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.

(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.

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

The Directors declared a final fully franked dividend of 0.5 cents in respect of the financial year ended 31 December 2011 (2010: fully franked dividend of 0.5 cents).

17 NET TANGIBLE ASSET PER SHARE

	2011 $	2010 $
Net assets per share	0.16	0.15
Net tangible assets per share	0.15	0.15
	Number	**Number**
Weighted average number of ordinary shares for net assets per share	57,160,632	54,272,751

18 SUBSEQUENT EVENTS

Final Dividend

The Directors declared a final fully franked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2011.

Other than that referred to in the financial statements and notes thereto, there is no subsequent event after balance date that affects the operating results or financial position of the Company and its subsidiaries

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

19 DETAILS OF CONTROL OVER ENTITIES

Subsidiaries

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 Health (Vietnam) Company Limited	Vietnam	100	-
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
Vitaron Jaya Sdn Bhd	Malaysia	100	100
Vita Life Sciences Sdn Bhd	Malaysia	70	70
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Science (S) Pte Limited	Singapore	100	100
VitaHealth IP Pte Limited	Singapore	100	100
Sino Metro Developments Limited	British Virgin Island	100	100
VitaHealth (Macao Commercial Offshore) Limited	Macao	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100
PT. Vitahealth Indonesia	Indonesia	100	-

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2011

20 PRIOR YEAR ADJUSTMENT

The Group has an arrangement with distributors whereby sales from the Group's products are remitted to the Group net of the distributor's costs. In the 2010 and prior financial years, sales revenue was disclosed net of these distribution costs ("Distribution Costs").

The Directors have concluded that disclosing the distribution costs separately from sales would present a more relevant view of the operations and financial performance of the Group, and reflects the gross inflows of economic benefits received and receivable by the entity on its own account.

As of the 2011 financial year, "Sales of goods" have been presented excluding the Distribution Costs and included in "Distribution expenses". A restatement of the prior year comparatives have been made to the following line items in the Consolidated Statement of Comprehensive Income:

- Increase in Sales revenue of $797,913; and
- Increase in Distribution Expenses of $797,913.

This change in presentation has resulted in no impact to the prior year:

- Earnings Before Interest and Tax;
- Net Profit;
- Net Assets; or
- Net and Diluted Earnings Per Share

21 INFORMATION ON AUDIT OR REVIEW

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

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

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

Not applicable

Compliance Statement

1. This report has been prepared in accordance with ASX Listing Rule 4.3A, Australian Accounting Standards (including Australian Accounting Interpretations) and other standards acceptable to the ASX.

2. This report, and the financial statements upon which the report is based, use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This report is based on financial statements which are in the process of being audited, and the audit report is not expected to contain any qualifications.

5. The entity has a formally constituted Audit Committee.

Ernest Chunge
Company Secretary
28 February 2012