



**Preliminary Final Report of**  
**Vita Life Sciences Limited**  
**For the Year Ended 31 December 2012**

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 2012

Previous Corresponding Period: Financial Year Ended 31 December 2011

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# Name of Entity: Vita Life Sciences Limited

**ABN: 35 003 190 421**

## Results for announcement to the market

		Percentage Change %	2012 A\$'000
Revenue	up	24.4	30,191
Profit from continuing operations before tax and finance costs	up	92.4	2,865
Profit before income tax	up	102.5	2,841
Net profit after tax	up	90.9	2,316
Net profit attributable to members	up	95.1	2,367
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	
Interim dividend per share	0.5 cent	0.5 cent	
Final dividend per share	0.5 cent	0.5 cent	

Ex-Dividend date for the purpose of receiving the dividend

11/03/2013

Record date for determining entitlements to dividends

15/03/2013

Payment date

29/03/2013

# 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 \$30.19 million for the financial year, an increase of 24.4% compared to 2011's sales of \$24.27 million.

Net profit after tax for the year was \$2.32 million (2011: \$1.21 million), a 90.9% increase on the previous year's result.

Earnings per share were 4.14 cents (2011: 2.12 cents), a 95.3% increase on the previous year's result. On the basis of the Group's increasing profitability, Directors have declared a 0.5 cent per share final dividend. When combined with the interim dividend of 0.5 cent paid in October 2012, a total dividend of 1 cent per share has been paid/declared. This represents an increase of 100% on 2011 when 0.5 cent was paid. The final dividend is fully franked.

Other key financial results were:

- Gross profit margin was maintained on the 24.4% increase in sales;
- Other operating expenses (occupancy, administrative and miscellaneous expenses) were \$12.0 million (2011: \$10.6 million). As a percentage of sales operating expenses fell from 43.5% in 2011 to 39.7% in 2012 reflecting tight cost controls in all areas and the ability to leverage operating expenses over a higher revenue base; and
- The EBIT margin increased from 6.1% in 2011 to 9.5% in 2012.

## Divisional Results

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

	<b>Health \$'000</b>	<b>Investment \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers	30,191	-	30,191
<b>Result</b>			
Segment results	3,482	4	3,486
Unallocated expenses	-	-	(508)
Profit before tax and finance costs			2,978
Finance costs			(137)
Profit before income tax			2,841
Income tax expense			(525)
<b>Net profit for the year</b>			<b>2,316</b>

# Commentary on Results (continued)

## *Health Division*

The Established Business Units (Australia, Malaysia and Singapore) recorded another year of excellent solid sales growth of 22.7% (2011: 11.3%) in total and were split and measured in local currencies, as follows:

- Australia 25.1% (2011: 14.1%)
- Malaysia 24.0% (2011: 24.7%)
- Singapore 15.5% (2011: -2.9%)

The New Business Units' (Thailand, Multi Level Marketing (MLM) in Malaysia, China and Vietnam) progress during the 2012 period is summarised below:

- The Thailand business unit continued to grow with sales increase of 47.7% (2011: 76.3%) in local currency;
- Though the MLM business unit in Malaysia saw sales drop in 2012 by 16.2% (in local currency) due to the transition to a new marketing strategy in July 2012, the business unit gained traction and recorded a breakeven result in the second half 2012;
- Continued efforts were made to establish a strong foundation of the Group's expansion in China and Vietnam. Vietnam recorded its first sales, and China increased revenue by 39.6% (2011: 236.9%) in local currency; and
- In Indonesia, the focus was on product registration and preparation for commencement of operations in 2013.

The Health division's EBIT of \$3.48 million reflected an increase of 72.3% when compared to the preceding year's EBIT of \$2.02 million, primarily as a result of maintenance of margins and rigorous cost control.

## *Investment Division*

The Group has an equity interest of 6.3% (profit share of 20.1%) in a property project in Malaysia. 39% of the total development has been sold as at the end of 2012. The entire property project has recorded a profit of A\$0.18 million in 2012.

## **Outlook for 2013**

The Compound Annual Growth Rate (CAGR) for revenue of 13% over the last 3 years is expected to continue in 2013 and potentially increase as the New Business Units start to make larger contributions.

Over the same period EBIT CAGR has shown an increase of 54% reflecting the gains made in cost control and operating leverage. Barring unforeseen circumstances, Directors are targeting a 40% to 50% increase in EBIT in 2013.

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.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012	Notes	2012 \$'000	2011 \$'000
<b>CONTINUING OPERATIONS</b>			
Sale of goods		30,191	24,266
Cost of sales		(10,674)	(8,549)
<b>Gross profit</b>		<b>19,517</b>	<b>15,717</b>
Other income	3 (a)	163	210
Distribution expenses		(2,570)	(2,071)
Marketing expenses		(2,278)	(1,804)
Occupancy expenses		(719)	(639)
Administrative expenses	3 (b)	(10,963)	(9,522)
Other expenses	3 (c)	(296)	(402)
Share of associates profit / (loss)		11	(1)
<b>Profit from continuing operations before interest and taxes</b>		<b>2,865</b>	<b>1,488</b>
Finance income	3 (d)	113	78
Finance costs	3 (e)	(137)	(164)
<b>Profit before income tax</b>		<b>2,841</b>	<b>1,402</b>
Income tax expense	5	(525)	(190)
<b>Net profit for the year</b>		<b>2,316</b>	<b>1,212</b>
<b>Other comprehensive expense after income tax</b>			
Exchange differences on translating foreign controlled entities		358	(210)
Other comprehensive expense for the year, net of income tax		358	(210)
<b>Total comprehensive income for the year</b>		<b>2,674</b>	<b>1,002</b>
Loss attributable to minority interest		(51)	-
Profit attributable to members of the parent		2,367	1,212
		2,316	1,212
Total comprehensive income / (expense) attributable to:			
Minority interest		(46)	(14)
Members of the parent		2,720	1,016
		2,674	1,002
<b>Earnings per share (cents per share)</b>			
- basic earnings per share	4	4.35	2.31
- diluted earnings per share	4	4.14	2.12

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

# Consolidated Statement of Financial Position

as at 31 December 2012	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	5,017	3,632
Trade and other receivables	7	4,481	3,285
Inventories	8	5,612	3,701
Other assets	9	469	285
Assets held for sale	11	-	22
<b>Total Current Assets</b>		<b>15,579</b>	<b>10,925</b>
<b>Non Current Assets</b>			
Trade and other receivables	7	-	464
Investment in associates	10	947	1,678
Property, plant and equipment	11	126	127
Intangible assets	12	73	67
Deferred tax assets	5	88	88
<b>Total Non Current Assets</b>		<b>1,234</b>	<b>2,424</b>
<b>Total Assets</b>		<b>16,813</b>	<b>13,349</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	4,591	3,917
Current tax liability		289	34
Provisions	15	542	414
<b>Total Current Liabilities</b>		<b>5,422</b>	<b>4,365</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liability	5	8	8
Provisions	15	41	20
<b>Total Non Current Liabilities</b>		<b>49</b>	<b>28</b>
<b>Total Liabilities</b>		<b>5,471</b>	<b>4,393</b>
<b>Net Assets</b>		<b>11,342</b>	<b>8,956</b>
<b>EQUITY</b>			
Issued capital	16	45,956	45,568
Accumulated losses		(33,532)	(35,355)
Employee share based payments reserve		472	272
Foreign currency translation reserve		(1,640)	(1,993)
<b>Parent entity interest</b>		<b>11,256</b>	<b>8,492</b>
Minority interest		86	464
<b>Total Equity</b>		<b>11,342</b>	<b>8,956</b>

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 2012	Notes	2012 \$'000	2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		32,743	26,261
Payments to suppliers and employees		(31,127)	(25,438)
Income tax paid		(270)	(210)
Interest received		113	78
Borrowing costs		(76)	(97)
Proceeds from Pan Case Legal Settlement		-	5,000
Proceeds from Pan Pharmaceuticals Ltd Liquidator		-	67
<b>Net cash flows provided by operating activities</b>	6 (e)	<b>1,383</b>	<b>5,661</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash recognised upon consolidation of Thai Group		190	-
Proceeds from sale of property, plant and equipment		22	-
Purchase of property, plant and equipment		(119)	(72)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>93</b>	<b>(72)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		506	111
Dividends Paid		(544)	(270)
Shares bought back (net of costs)		(118)	(233)
Loans to associated entities		-	(196)
Repayment of external borrowings		-	(1,765)
<b>Net cash flows used in financing activities</b>		<b>(156)</b>	<b>(2,353)</b>
Net increase in cash and cash equivalents		1,320	3,236
Net foreign exchange differences		65	(11)
Cash and cash equivalents at beginning of the year		3,632	407
<b>Cash and cash equivalents at end of the year</b>	6 (d)	<b>5,017</b>	<b>3,632</b>

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 2012

	Note	Issued Capital \$'000	Employee Share Based Payments Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Minority Interests \$'000	Total \$'000
<b>Balance at 1 January 2012</b>		45,568	272	(35,355)	(1,993)	8,492	464	8,956
<b>Comprehensive income</b>								
Profit attributable to members of parent entity		-	-	2,367	-	2,367	(51)	2,316
Other comprehensive income for the year		-	-	-	353	353	5	358
<b>Total comprehensive income for the year</b>		-	-	2,367	353	2,720	(46)	2,674
<b>Transactions with owners, in their capacity as owners</b>								
Recognition of non-controlling interest		-	-	-	-	-	87	87
De-recognition of non -ontrolling interest		-	-	-	-	-	(419)	(419)
Issue of Shares (net of issue costs)		30	-	-	-	30	-	30
Shares bought back		(118)	-	-	-	(118)	-	(118)
Repayment of loans on Employee share option scheme		476	-	-	-	476	-	476
Employee share option scheme		-	200	-	-	200	-	200
Dividends paid	16 (g)	-	-	(544)	-	(544)	-	(544)
<b>Total transactions with owners</b>		388	200	(544)	-	44	(332)	(288)
<b>Balance at 31 December 2012</b>		45,956	472	(33,532)	(1,640)	11,256	86	11,342

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

## Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2011		Issued Capital	Employee Share Based Payments Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Attributable to Equity Holders of Parent	Minority Interests	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		45,690	56	(36,297)	(1,797)	7,652	478	8,130
<b>Comprehensive income</b>								
		-	-	1,212	-	1,212	-	1,212
		-	-	-	(196)	(196)	(14)	(210)
		-	-	1,212	(196)	1,016	(14)	1,002
<b>Transactions with owners, in their capacity as owners</b>								
		35	-	-	-	35	-	35
		(233)	-	-	-	(233)	-	(233)
		76	-	-	-	76	-	76
		-	216	-	-	216	-	216
	16 (g)	-	-	(270)	-	(270)	-	(270)
		(122)	216	(270)	-	(176)	-	(176)
		45,568	272	(35,355)	(1,993)	8,492	464	8,956

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 2012

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (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 2012. 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 (Thailand) Co. Ltd and Vitahealth (Thailand) Co. Ltd 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 2012

## 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, Supplements World 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.

### (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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (f) Cash and cash equivalents (continued)

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.

### (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:

	<u>Rate</u>	<u>Method</u>
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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (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.

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

#### **Intangibles**

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 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.

### (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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (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.

#### *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 2012

## 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.

#### ***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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (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.

### (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 2012

## 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.

### (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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (w) Share-based payment transactions (continued)

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.

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

*AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

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.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. This amendment is a consequence of the deferral of IFRS 9 to allow the IASB to complete its revision of that Standard. In light of this change of mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010-7 may have a significant impact on the group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact particularly considering the changes that are expected to be made to IFRS 9 in the future.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

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

*AASB 10: Consolidated Financial Statement, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (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 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 operation (where 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). The Group does not expect this Standard to impact on its financial statements.

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 affect disclosures only 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 AASB128 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 (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 measurement.

AASB 13 requires:

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

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group’s financial statements.

*AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).*

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporation Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group’s financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011-4 does not affect the related party disclosure requirements in AASB124 applicable to all reporting entities, and some of these requirements require similar disclosure to those removed by AASB 2011-4.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 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 (applicable for annual reporting periods commencing on or after July 2012).*

The main change arising from this Standard is the requirements 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 therefore not expected to significantly impact on Group.

*AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting period commencing on or after 1 January 2013).*

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the “corridor” approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  - (i) service cost and net interest expense in profit or loss; and
  - (ii) remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

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

*AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

This Standard is not expected to significantly impact the Group’s financial statements.

*AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard adds application guidance to AASB 132 Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group’s financial statements.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

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

*AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting period commencing on or after 1 January 2013).*

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009-2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Member's Share in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between measures of total assets and liabilities an entity reports for segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statement.

### (y) Significant accounting judgements, estimates and assumptions

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

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

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

#### *Capitalised development costs*

Included in intangible assets (Note 12) at the end of the year is an amount of \$73,000 (2011: \$67,000) relating to capitalised development cost.

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

#### *Taxation*

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 1 Summary of Significant Accounting Policies (continued)

### (y) Significant accounting judgements, estimates and assumptions (continued)

#### *Share-based payment transactions*

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

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

As at 31 December 2012, the Company recognised \$200,000 (2011: \$216,000) in the consolidated statement of comprehensive income with a corresponding increase in employee share based payment reserve. Refer to note 16 for details of the Company's Share Based Payment Plan.

#### *Estimation of useful lives of assets*

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

## 2 Segment Information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. As the Board monitors business activity by each country the Group operates in, management has determined the Geographic Segment report to be of primary interest to users of this financial report.

### **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 2012 and 31 December 2011.



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 2 Segment Information (continued)

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Total \$'000
<b>Year ended 31 December 2012</b>					
<b>Revenue</b>					
Sales to external customers	13,581	4,439	10,107	2,064	30,191
Total segment revenue	13,581	4,439	10,107	2,064	30,191
<b>Segment results</b>					
Profit / (loss) before tax and finance costs	1,185	1,076	1,246	(540)	2,967
Finance costs	(79)	(3)	(53)	(2)	(137)
Share of profit of associates	-	-	-	11	11
Profit before income tax					2,841
Income tax expense					(525)
<b>Net profit for the year</b>					<b>2,316</b>
<b>Assets and liabilities</b>					
Segment assets	8,232	1,919	3,966	1,749	15,866
Investment in associates					947
Total assets					16,813
Segment liabilities	2,281	1,026	1,866	298	5,471
Total liabilities					5,471
<b>Other segment information</b>					
Capital expenditure	(11)	(37)	(63)	(8)	(119)
Depreciation	(5)	(6)	(59)	(16)	(86)
Amortisation	-	(1)	(5)	(2)	(8)
<b>Year ended 31 December 2011</b>					
<b>Revenue</b>					
Sales to external customers	10,858	3,817	8,966	625	24,266
Total segment revenue	10,858	3,817	8,966	625	24,266
<b>Segment results</b>					
Profit / (loss) before tax and finance costs	895	383	592	(303)	1,567
Finance costs	(97)	(2)	(62)	(3)	(164)
Share of profit of associates	-	-	-	(1)	(1)
Profit before income tax					1,402
Income tax expense					(190)
<b>Net profit for the year</b>					<b>1,212</b>
<b>Assets and liabilities</b>					
Segment assets	6,392	947	3,563	769	11,671
Investment in associates					1,678
Total assets					13,349
Segment liabilities	2,177	668	1,385	163	4,393
Total liabilities					4,393
<b>Other segment information</b>					
Capital expenditure	(16)	(2)	(49)	(4)	(71)
Depreciation	(9)	(2)	(72)	(1)	(84)
Amortisation	-	(1)	(6)	(3)	(10)

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 2 Segment Information (continued)

### Business segments

The Group operates in two industry segments.

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 2012 and 31 December 2011.

Year ended 31 December	2012			2011		
	Health \$'000	Investment \$'000	Total \$'000	Health \$'000	Investment \$'000	Total \$'000
<b>Revenue</b>						
Sales to external customers	30,191	-	30,191	24,266	-	24,266
<b>Result</b>						
Segment results	3,482	4	3,486	2,024	(9)	2,015
Proceeds from Pan Liquidator	-	-	-	-	-	67
Unallocated expenses	-	-	(508)	-	-	(516)
Profit before tax and finance costs			2,978			1,566
Finance costs			(137)			(164)
Profit before income tax			2,841			1,402
Income tax expense			(525)			(190)
<b>Net profit for the year</b>			<b>2,316</b>			<b>1,212</b>
<b>Assets and liabilities</b>						
Segment assets	15,866	947	16,813	11,671	934	12,605
Investment in associates			-			745
Total assets			<b>16,813</b>			<b>13,349</b>
Segment liabilities	5,466	5	5,471	4,389	4	4,393
Total liabilities			<b>5,471</b>			<b>4,393</b>
<b>Other segment information</b>						
Capital expenditure	(119)	-	(119)	(71)	-	(71)
Depreciation	(86)	-	(86)	(84)	-	(84)
Amortisation	(8)	-	(8)	(10)	-	(10)

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 3 Revenue and Expenses

	2012 \$'000	2011 \$'000
<b>(a) Other income</b>		
Proceeds from Pan Pharmaceuticals Ltd Liquidator	-	67
Unrealised foreign exchange gain	-	51
Reversal of previous years impairment loss	28	-
Gain on consolidation of Thai Group	82	-
Other income	53	92
	<b>163</b>	<b>210</b>
<b>(b) Administrative expenses</b>		
Legal and other professional fees	(310)	(302)
Consultants	(554)	(376)
Allowance for impairment loss	-	(19)
Wages, salaries and other employee expenses	(8,907)	(7,580)
Defined contribution superannuation expense	(445)	(525)
Travelling expenses	(213)	(225)
Share based payment expense	(200)	(216)
Depreciation	(86)	(84)
Amortisation	(8)	(10)
Other administrative expenses	(240)	(185)
	<b>(10,963)</b>	<b>(9,522)</b>
<b>(c) Other expenses</b>		
Product registration costs	(200)	(213)
Realised loss on foreign exchange	(29)	(52)
Unrealised foreign exchange loss	(53)	-
Loss on disposal of property, plant and equipment	(14)	-
Other non-operating expenses	-	(137)
	<b>(296)</b>	<b>(402)</b>
<b>(d) Finance income</b>		
Interest received - external parties	113	78
	<b>113</b>	<b>78</b>
<b>(e) Finance expenses</b>		
Interest expense - external parties	(76)	(91)
Bank charges	(61)	(66)
Finance charges - hire purchase and lease contracts	-	(7)
	<b>(137)</b>	<b>(164)</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 4 Earnings per share

	2012 \$'000	2011 \$'000
<b>(a) Earnings used in calculating earnings per share</b>		
Net profit attributable to equity holders from continuing operations	2,316	1,212
Loss contributable to non-controlling interest	51	-
Earnings used to calculate basic and dilutive earnings per share	<b>2,367</b>	<b>1,212</b>
	Number	Number
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	54,411,605	<b>52,588,549</b>
Adjusted weighted average number of ordinary shares for diluted earnings per share. Long Term Incentive Plan shares are classified as dilutive for the purposes of this calculation.	57,236,813	<b>57,160,632</b>

## 5 Income Taxes

	2012 \$'000	2011 \$'000
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<i>Income Statement:</i>		
<i>Current income tax</i>		
Current income tax charge	935	476
Tax benefits arising from previously unrecognised tax losses of prior years	(435)	(253)
Prior year under / (over)provision	25	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	(33)
Income tax expense / (credit) reported in the income statement	<b>525</b>	<b>190</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 5 Income Taxes (continued)

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

	2012 \$'000	2011 \$'000
Total accounting profit / (loss) before income tax	2,841	1,402
At the parent entity's statutory income tax rate of 30% (2011: 30%)	852	420
Adjustment in respect of current income tax of previous year	25	-
Foreign tax rate adjustment	(6)	21
Travel and staff amenities expenses	6	5
Share based payments	60	65
Other income/(expenditure) not allowable for income tax purposes	47	(46)
Tax losses and timing differences not brought to account / (recognised)	(459)	(275)
<b>Aggregate income taxes</b>	<b>525</b>	<b>190</b>

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

	2012 \$'000	2011 \$'000
<i>Deferred tax assets/ (liabilities)</i>		
Doubtful debts	5	14
Inventory obsolescence	15	15
Property, plant and equipment	(4)	(5)
Trade and other receivables	(3)	(3)
Provision for annual leave	24	24
Provision for long service leave	12	6
Other provision	31	29
<b>Net deferred tax assets/ (liabilities)</b>	<b>80</b>	<b>80</b>
<i>Presented in the consolidated Statement of Financial Position as follows:</i>		
Deferred tax assets	88	88
Deferred tax liabilities	(8)	(8)
	<b>80</b>	<b>80</b>

## (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 \$10 million, which are available indefinitely for offset against future taxable income of the companies in which losses arose. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied.

## (e) Unrecognised temporary differences

At 31 December 2012, there is no recognised or unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates, as the Group has no liability for additional taxation should such amounts be remitted.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 5 Income Taxes (continued)

### (f) Tax consolidation

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

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

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

### Measurement method adopted

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

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

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

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

### Nature of the tax funding agreement

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

### Tax consolidation contributions / (distributions)

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

	2012 \$'000	2011 \$'000
Total increase in intercompany receivable of Vita Life Sciences Limited	522	395

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 6 Cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash at bank and in hand (a)	3,922	2,411
Short term deposit (b)	1,095	1,221
<b>Total cash and cash equivalents</b>	<b>5,017</b>	<b>3,632</b>

(a) Cash at bank of \$625,000 (2011: \$554,000) 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 \$5,017,000 (2011: \$3,632,000).

### (d) Reconciliation of Statement of Cash Flows

	2012 \$'000	2011 \$'000
Cash at bank and in hand (a)	3,922	2,411
Short term deposit (b)	1,095	1,221
<b>Total cash and cash equivalents</b>	<b>5,017</b>	<b>3,632</b>

### (e) Reconciliation of net profit after tax to net cash flows from operations

	2012 \$'000	2011 \$'000
<b>Net profit after tax</b>	2,265	1,212
<b>Adjustments for non-cash income and expense items:</b>		
Depreciation	86	84
Amortisation	8	10
Net loss on disposal of property, plant & equipment	14	-
Gain on business combinations	13	
Shared based payment expense	200	216
(Reversal of) / allowance for for impairment loss	(28)	19
	<b>2,558</b>	<b>1,541</b>
<b>Increase/decrease in assets and liabilities:</b>		
(Increase) in inventories	(1,911)	(260)
Decrease in investment in associates	744	-
(Increase) / decrease in receivables	(1,159)	4,782
(Increase) in other assets	(191)	(104)
Increase in income tax payable	255	14
Increase / (decrease) in trade and other payables	674	(378)
Increase in other liabilities	149	195
Effect of foreign exchange translation of assets and liabilities	264	(129)
<b>Net cash provided by operating activities</b>	<b>1,383</b>	<b>5,661</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 7 Trade and other receivables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade receivables, third parties	3,519	2,747
Allowance for impairment loss (a)	(29)	(57)
	3,490	2,690
Other receivables:		
Other receivables (b)	957	488
Net tax receivable	34	107
	<b>4,481</b>	<b>3,285</b>
<b>Non- current</b>		
Related party receivables (c)	-	464
	-	<b>464</b>

### (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 reversal of \$28,000 (2011 impairment loss of \$19,000) 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:

	2012 \$'000	2011 \$'000
At 1 January	57	38
Charge for the year	(28)	19
At 31 December	<b>29</b>	<b>57</b>

(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) The related party receivable of \$464,000 was a loan to a company controlled by a Director of a subsidiary. The loan was repaid during the current financial year.

### (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 2012

## 8 Inventories

	2012 \$'000	2011 \$'000
Raw materials at cost	2,409	1,053
Finished goods at lower of cost and net realisable value	3,203	2,648
	<b>5,612</b>	<b>3,701</b>

## 9 Other current assets

	2012 \$'000	2011 \$'000
Prepayments	382	210
Security deposits	87	75
	<b>469</b>	<b>285</b>

## 10 Investment in Associates

	2012 \$'000	2011 \$'000
<b>Non- current</b>		
<i>Unlisted</i>		
- Mitre Focus Sdn Bhd (a) (i)	947	934
- Vita Life Sciences (Thailand) Co. Ltd (a) (ii)	-	145
- Vitahealth (Thailand) Co. Ltd (a) (iii)	-	599
Investments in associates	<b>947</b>	<b>1,678</b>
<b>(a) Details of the carrying value of investments and share of profits /</b>		
(i) Mitre Focus Sdn Bhd		
- Investment in associate at cost	-	-
- Loan to associate	882	881
- Cumulative share of associate's profit / (loss)	65	53
Carrying value of investment in associate	<b>947</b>	<b>934</b>
(ii) Vita Life Sciences (Thailand) Co. Ltd		
- Investment in associate at cost	-	152
- Cumulative share of associate's loss	-	(7)
Carrying value of investment in associate	<b>-</b>	<b>145</b>
(iii) Vitahealth (Thailand) Co. Ltd		
- Investment in associate at cost	-	30
- Loan to associate	-	843
- Provision against loan	-	(82)
- Cumulative share of associate's loss	-	(192)
Carrying value of investment in associate	<b>-</b>	<b>599</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 10 Investment in Associates (continued)

	Place of Incorporation	31 December 2012 %	31 December 2011 %
<b>(b) Investment details</b>			
<b>Name of Company</b>			
<i>Unlisted</i>			
- Mitre Focus Sdn Bhd	Malaysia	6.3	6.3
- Vita Life Sciences (Thailand) Co. Ltd	Thailand	NA	49.0
- Vitahealth (Thailand) Co. Ltd	Thailand	NA	74.0
		<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>(c) Summarised financial information</b>			
The following illustrates summarised financial information relating to the Group's associates:			
<b>Extract from the associates' statement of financial position:</b>			
Current assets		3,638	4,452
Non - current assets		3,083	3,041
		6,721	7,493
Current liabilities		(3,798)	(3,943)
Non - current liabilities		-	(707)
		(3,798)	(4,650)
Net assets		2,923	2,843
Share of associates' net assets		<b>184</b>	<b>139</b>
<b>Extract from the associates' income statements:</b>			
Revenue		2,033	4,226
Net profit		179	43

(d) The reporting date of associates is 31 December 2012. 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 acquired control over the Thailand entities (and are consequently treated as subsidiaries) due to a change in the composition of the Board of Vita Life Sciences (Thailand) Co. Ltd on 1 January 2012. Refer to Note 19 for further information.

(g) As at 31 December 2012, there are no contingent liabilities relating to the associates.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 11 Property, plant and equipment

	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
<b>Year ended 31 December 2012</b>				
At 1 January 2012 net of accumulated				
depreciation and impairment	33	94	-	127
Additions	28	91	-	119
Disposals	(11)	(3)	-	(14)
Exchange differences	-	(6)	-	(6)
Accumulated Depreciation on Thai Consolidation	-	(14)	-	(14)
Depreciation / amortisation for the year	(23)	(63)	-	(86)
At 31 December 2012 net of accumulated			-	
depreciation and impairment	<b>27</b>	<b>99</b>	<b>-</b>	<b>126</b>
<b>At 31 December 2012</b>				
Cost value	293	1,549	119	1,961
Accumulated depreciation and impairment	(266)	(1,450)	(119)	(1,835)
<b>Net carrying amount</b>	<b>27</b>	<b>99</b>	<b>-</b>	<b>126</b>

	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
<b>Year ended 31 December 2011</b>				
At 1 January 2011 net of accumulated				
depreciation and impairment	74	92	-	166
Additions	10	61	-	71
Disposals	-	(1)	-	(1)
Exchange differences	(1)	(2)	-	(3)
Transfer to Assets Held for Sale ^	(18)	(4)	-	(22)
Depreciation / amortisation for the year	(32)	(52)	-	(84)
At 31 December 2011 net of accumulated			-	
depreciation and impairment	<b>33</b>	<b>94</b>	<b>-</b>	<b>127</b>

^ It was resolved during the 2011 financial year that property, plant and equipment to the value of \$22,000 would be sold at a later date, and as such was transferred to Assets Held for Sale.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 12 Intangible assets

	Product Development costs \$'000	Total \$'000
<b>Year ended 31 December 2012</b>		
At 1 January 2012 net of accumulated depreciation and impairment	67	67
Additions	13	13
Amortisation	(8)	(8)
Exchange differences	1	1
	<b>73</b>	<b>73</b>
At 31 December 2012 net of accumulated depreciation and impairment		
<b>At 31 December 2012</b>		
Gross carrying amount	373	373
Accumulated amortisation and impairment	(300)	(300)
<b>Total</b>	<b>73</b>	<b>73</b>
	Product Development costs \$'000	Total \$'000
<b>Year ended 31 December 2011</b>		
At 1 January 2011 net of accumulated depreciation and impairment	57	57
Additions	24	24
Impairment / amortisation	(10)	(10)
Exchange differences	(4)	(4)
	<b>67</b>	<b>67</b>
At 31 December 2011 net of accumulated depreciation and impairment		
<b>At 31 December 2011</b>		
Gross carrying amount	360	360
Accumulated amortisation and impairment	(293)	(293)
<b>Total</b>	<b>67</b>	<b>67</b>

### 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 2012

## 13 Trade and other payables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade payables (a)	2,423	2,268
Net tax payable	75	222
Other payables and accruals	2,093	1,286
	<b>4,591</b>	<b>3,776</b>
Loan from associated entities (b)	-	141
	<b>4,591</b>	<b>3,917</b>

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

(b) The loans from associated entities have been eliminated upon the consolidation of the Associates. See note 19 (a).

(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

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade financing facility - secured (a)	-	-
Bank overdrafts - secured (b)	-	-
	-	-

At reporting date, the following financing facilities had been negotiated and were available:

	2012 \$'000	2011 \$'000
<b>Total facilities available:</b>		
Trade financing facility - secured	434	1,910
Bank overdraft	262	262
	<b>696</b>	<b>2,172</b>
<b>Facilities utilised at balance date:</b>		
Trade financing facility - secured	-	-
Bank overdraft	-	-
	-	-
<b>Facilities not utilised at balance date:</b>		
Trade financing facility - secured	434	1,910
Bank overdraft	262	262
	<b>696</b>	<b>2,172</b>

# Notes to the Financial Statements (Continued)

## For the Year Ended 31 December 2012

### 14 Interest bearing loans and borrowings (continued)

#### (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 2012 is 7.95% (2011: 10.47%). The facility has a fixed and floating charge over the assets and undertakings of the subsidiary.

#### (b) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2012 is 10.00% p.a. (2011: 10.74% 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.

#### (c) Fair value

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

#### (d) Default and breaches

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

### 15 Provisions

	Employee Entitlements \$'000	Others \$'000	Total \$
<b>Consolidated</b>			
<b>Balance at 1 January 2012</b>	135	299	434
Arising during the year	70	79	149
<b>Balance at 31 December 2012</b>	<b>205</b>	<b>378</b>	<b>583</b>
<b>At 31 December 2012</b>			
Current	164	378	542
Non-Current	41	-	41
	<b>205</b>	<b>378</b>	<b>583</b>
<b>At 31 December 2011</b>			
Current	115	299	414
Non-Current	20	-	20
	<b>135</b>	<b>299</b>	<b>434</b>

#### (a) Employee entitlements

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 16 Contributed equity

	2012 Number	2011 Number	2012 \$	2011 \$
<b>Issued and paid up capital</b>				
Ordinary shares	<b>56,474,638</b>	<b>57,845,060</b>	<b>45,956,146</b>	<b>45,568,037</b>
<b>Ordinary shares</b>				
Balance at beginning of the year	57,845,060	54,245,307	45,568,037	45,690,301
Share buy back (a)	(338,801)	(821,683)	(118,042)	(232,927)
Shares issued during the year (b)	103,379	133,936	32,051	34,663
Share issue costs	-	-	(1,500)	-
Cancellation of Plan Shares of certain employees and Director (c)	(1,460,000)	(77,500)	-	-
Issue of shares to employee / director (d)	325,000	4,365,000	-	-
Plan shares exercised (e)	-	-	475,600	76,000
Balance at end of the year	<b>56,474,638</b>	<b>57,845,060</b>	<b>45,956,146</b>	<b>45,568,037</b>

### (a) Share Buy-Back

On 16 May 2012, 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 2012, the Company bought back 338,801 shares for total consideration of \$116,883 excluding cost of \$1,159.

### (b) Share issue

A total of 103,379 ordinary shares were issued on 17 April 2012 at 27 cents per share valued at \$33,551 (before ASX share issue costs of \$1,500) pursuant to the Dividend Reinvestment Plan (DRP).

### (c) Cancellation of Plan Shares

On 24 March 2011, the Company granted limited recourse loans and approved the issue of 4,365,000 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 5 April 2012 and 16 August 2012, the Company cancelled 325,000 and 1,135,000 Plan shares issued in 2009 and 2011 respectively.

### (d) Issue of shares to employee/director

At the Company's Annual General Meeting of 16 May 2012, shareholders approved limited recourse loans to be granted for the issue of 325,000 ordinary shares to the Managing Director under a Long Term Incentive Plan.

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 2012, the Company recognised \$200,000 (2011: \$216,000) 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 2012

## 16 Contributed equity (continued)

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

During the year ended 31 December 2012, a sum of \$475,600 was paid by the Managing Director and other employees of the Group to retire limited recourse loans for 2,240,000 ordinary shares issued in 2009 and 2011 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 2012 (2011: fully franked dividend of 0.5 cents).

### (g) Dividends

The Directors declared a final fully franked dividend of 0.5 cents in respect of the financial year ended 31 December 2012 (2011: fully franked dividend of 0.5 cents). The final dividend in respect of the financial year ended 31 December 2012 has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2012.

	2012 Cents per Share	2011 Cents per Share	2012 \$'000	2011 \$'000
<b>Fully paid ordinary shares</b>				
Final dividend for the previous financial year - Fully franked at 30% corporate tax rate	0.50	0.50	272	270
Interim dividend for the financial year - Fully franked at 30% corporate tax rate	0.50	-	272	-
Balance at end of the year	<b>1.00</b>	<b>0.50</b>	<b>544</b>	<b>270</b>

## 17 Net tangible assets per share

	2012 \$	2011 \$
Net assets per share	0.20	0.15
Net tangible assets per share	0.20	0.15
	Number	Number
Number of ordinary shares for net assets per share	56,474,638	57,845,060



# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 18 Subsidiaries

Name	Place of Incorporation	Percentage of Equity Interest	
		2012 %	2011 %
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	100	100
VitaHealth Laboratories Australia Pty Limited	Australia	100	100
Premier Foods Pty Limited	Australia	100	100
Vita Corporation Pte Limited	Singapore	100	100
Supplements World Pte Ltd (Note 19)	Singapore	100	-
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
Vitahealth Biotech Sdn Bhd (formerly Vitaron Jaya)	Malaysia	100	100
Vita Life Sciences Sdn Bhd (Note 19)	Malaysia	100	70
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Science (S) Pte Limited	Singapore	100	100
VitaHealth IP Pte Limited	Singapore	100	100
Vita Life Sciences (Thailand) Co. Ltd (Note 19)	Thailand	49	-
Vitahealth (Thailand) Co. Ltd (Note 19)	Thailand	74	-
Vita Health (Vietnam) Company Limited	Vietnam	100	100
Sino Metro Developments Limited	British Virgin Islands	100	100
VitaHealth (Macao Commercial Offshore) Limited	Macao	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100
PT. Vitahealth Indonesia	Indonesia	100	100

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 19 Change in composition of the Group

### (a) Consolidation of Associates (“Thai Consolidation”)

As of 1 January 2012, Vita Health (Thailand) Co Ltd and Vita Life Sciences (Thailand) Co Ltd have been treated as subsidiaries due to a change in composition of the board of directors resulting in the Group gaining control. There has been no change in the equity structure or holders of equity of the two Thailand subsidiaries, and no consideration was exchanged in this business combination.

Details of the purchase consideration and net assets acquired in the transaction are as follows:

	Fair Value \$'000
Purchase consideration:	
Cash paid	-
Carrying value of Associates at 31 December 2011	(17)
	<u>(17)</u>
Fair value of net assets/(liabilities) acquired 1 January 2012:	
Cash and cash equivalents	190
Receivables	187
Loans receivable	310
Inventories	166
Investments	16
Property, plant and equipment	6
Other assets	21
Payables	(411)
Long term loans payable	(428)
Other liabilities	(8)
Foreign exchange revaluation on fair valuing assets	21
	<u>70</u>
Less – Non-controlling interest	(87)
	<u>(17)</u>

#### *i) Acquired receivables*

All Trade Receivables are expected to be received in full.

#### *ii) Non-controlling interest*

The Group has chosen to recognise the non-controlling interest at fair value for this acquisition, based on the values as included in the Thailand entities financial statements as at 31 December 2011.

#### *iii) Revenue and profit contribution*

The acquired businesses contributed revenues of \$1,033,000 and net loss of \$17,000 to the Group for the period 1 January 2012 to 31 December 2012.

#### *iv) Reversal of previous years impairment expense*

A loan with Vita Health (Thailand) Co Ltd was tested for impairment in previous years, and an amount of \$82,000 was accrued. This change in circumstances indicates the impairment is unnecessary, and the impairment of \$82,000 has been reversed in the Statement of Comprehensive Income as a component of administration costs.

### (b) Acquisition of Minority Interest

On 1 July 2012, Swiss Bio Pharma Sdn Bhd purchased the 30% minority interest in Vita Life Sciences Sdn Bhd for consideration of \$473,000. Vita Life Sciences Sdn Bhd is the Group’s Multi-Level-Marketing business unit operating in Malaysia. As a result of the acquisition, \$419,000 was de-recognised in the Minority Interest and the Group recognised a net reduction in net assets of \$11,000.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2012

## 19 Change in composition of the Group (continued)

### (c) Acquisition of Minority Interest

On 6 November 2012, The High Court of the Republic of Singapore allowed the Group's application to stay the winding-up order of Supplements World Pte Ltd ("Supplements World"). Supplements World is a wholly owned subsidiary of the Group domiciled in Singapore, and was the Group's operating subsidiary in Singapore until 2003. The consolidation of Supplements World contributed \$4,000 to the financial results for the financial year.

## 20 Subsequent events

### Final Dividend

On 26 February 2013, the Directors declared a final fully franked dividend of 0.5 cents per share in respect of the financial year ended 31 December 2012.

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.

## 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  | <input type="checkbox"/>            |
| The accounts have been subject to review                              | <input type="checkbox"/>            |
| The accounts are in the process of being audited or subject to review | <input checked="" type="checkbox"/> |
| The accounts have not yet been audited or reviewed                    | <input type="checkbox"/>            |

**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

26 February 2013

VLS