Vita Life Sciences Limited Annual Report 2013

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Vita Life Sciences Limited

ABN 35 003 190 421

Vita Life Sciences Limited

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Who is Vita Life Sciences?

Vita Life Sciences Limited ("Vita Life") is a multinational healthcare company involved in the formulating, packaging, sales and distribution of vitamins and supplements. Vita Life is represented by two major brands of high quality supplements, "VitaHealth" throughout Southeast Asia and "Herbs of Gold" in Australia and China.

Vita Life has a company wide commitment to:

- Focus its efforts on the health and well-being of customers;
- Conduct activities in a socially responsible manner;
- Create a conducive working and rewarding environment for its employees; and
- Provide competitive returns on our shareholders' investments.

Our History

VitaHealth commenced business as a retail pharmacy in Singapore in 1947. In 1973, it launched its own brand of vitamins and supplements with flagship products that included Super Formula Three and Crowning Glory. Engaging in a philosophy to 'think internationally but act locally', VitaHealth has developed products that are consistent with global trends while adapting the formulation and product needs of local markets in compliance with the respective countries drug control authorities. Noting the potential to increase its resources to generate growth in research, marketing and product development, Vita Life purchased VitaHealth, including the Malaysian and Singaporean businesses, in 2000.

Vita Life acquired Herbs of Gold in 2001. Herbs of Gold was founded in Australia in 1989 and soon became known and trusted for its integrity and reliability by health food retailers and consumers alike. Herbs of Gold was acquired by Vita Life in 2001. Subsequently, Vita Life has commenced operations in China, Hong Kong, Indonesia, Thailand and Vietnam.

Our Future

Vita Life has grown from strength to strength and is now a significant healthcare company with more than 1,000 registered products throughout Australia and Asia. Vita Life aim is to become a significant group across the breadth of Asia.

Our People

Besides a strong and experienced management team, the talent of its people is regarded as the determining factor in the success of Vita Life. There is a culture of fostering leadership, individual accountability and teamwork. Vita Life's employees are professionals whose entrepreneurial behaviour is result-oriented and guided by personal integrity. They strive for the success of their own units in the interests of Vita Life as a global company and Vita Life attributes its achievement and success to their dedication.

Chairman's Review

Dear Shareholder,

Vita Life Sciences Limited ("Vita Life") and its subsidiaries ("the Group") have recorded another excellent year. Sales growth was reported across all business units with a marked improvement in the Group's EBIT margin as costs have been leveraged against higher sales while diligently controlling expenditure.

Financial Performance Snapshot

- Sales increased by 17.3% from that in 2012
- EBIT margin increased to 15.6% from 9.5%
- NPAT and EPS more than doubled
- Dividend payout increased to 3.0 cents per share
- Asian sales account for close to 60% of Group revenue

Established Business Units

Singapore experienced significant growth since a reorganisation of the marketing and sales team in 2012 and continue to benefit from a moderately expanding market. The Malaysian performance was particularly pleasing having benefitted from increased investment in brand building, including corporate social responsibility expenditure. Australian sales saw a slowdown in growth due to a tightening of customers' credit and other trading terms, and a market experiencing intense discounting by competitors.

New Business Units

New Business Units saw an increase of sales of 41.9%. Collectively, the New Business Units have now reached management's aim of contributing 15% of Group revenue. This aim is now revised to 25%.

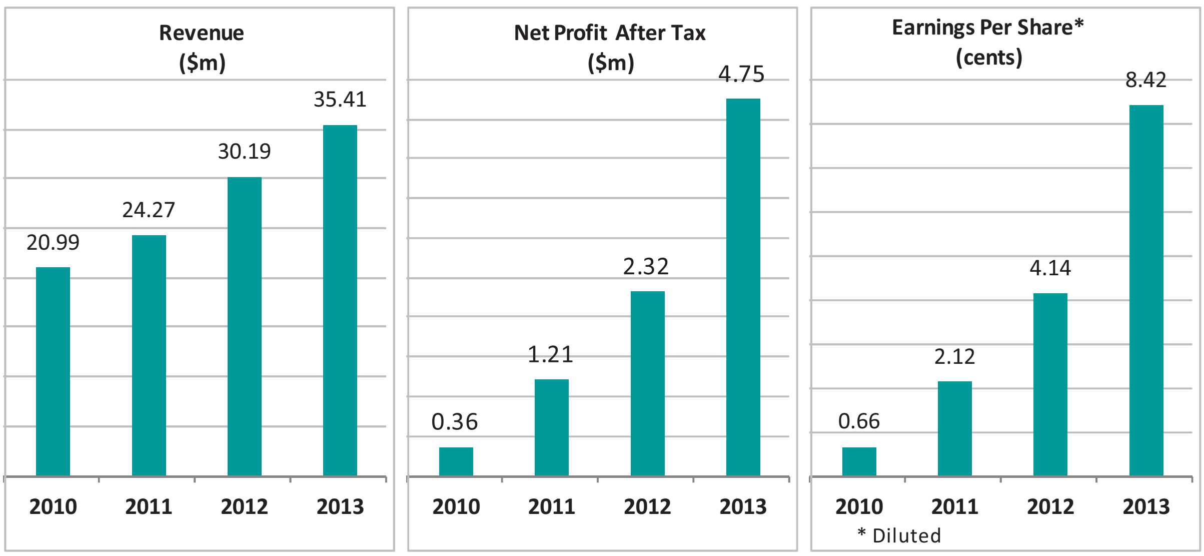
The Multi-Level Marketing transitioned to a new marketing strategy in 2012, which bore fruit in 2013, recording its maiden EBIT contribution. Vietnam also made a small EBIT contribution on strong sales growth.

China and Thailand both recorded small increases in sales, despite facing significant challenges. Thailand's political situation hampered the best efforts of the Thai team. China's regulatory environment, and in particular potential restrictions on importation of vitamins and mineral supplements, remains a concern.

Financial Position

Shareholders equity increased to $16.3m. Cash and cash equivalents represent 55.2% of this balance. The Group remains in a strong position to take advantage of any future opportunities as they arise.

Vita Life Key Financial Performance Data



Chairman's Review (continued)

Strategic Initiatives in 2014

The Malaysian operations are spread across 3 locations, and as previously advised to shareholders, Directors have resolved to consolidate facilities into one building to be owned by the Group. A suitable 5,100 sqm building has been located and at the date of this report negotiations are continuing. The purchase is expected to be funded by a mix of approximately 50% cash and 50% borrowings.

After a period of significant investment, Directors see critical mass being achieved across the OTC businesses in China, Thailand and Vietnam and the Multi Level Marketing business in Malaysia. It is expected that these four New Business Units will provide a net positive contribution to the Group in the 2014 financial year and onwards.

The office for the fifth New Business Unit in Indonesia is currently being fully resourced and products are being registered in anticipation of first sales towards the end of 2014.

Outlook for 2014

Directors are cautiously optimistic for the year ahead. The competitive Australian landscape, the Thai political situation and regulatory changes in China all provide significant challenges in the year ahead.

Accordingly, Directors are of the view sales growth of approximately 13 - 15% in 2014 against that reported in the financial year to 31 December 2013, with an EBIT margin of approximately 14 - 16% should be achievable.

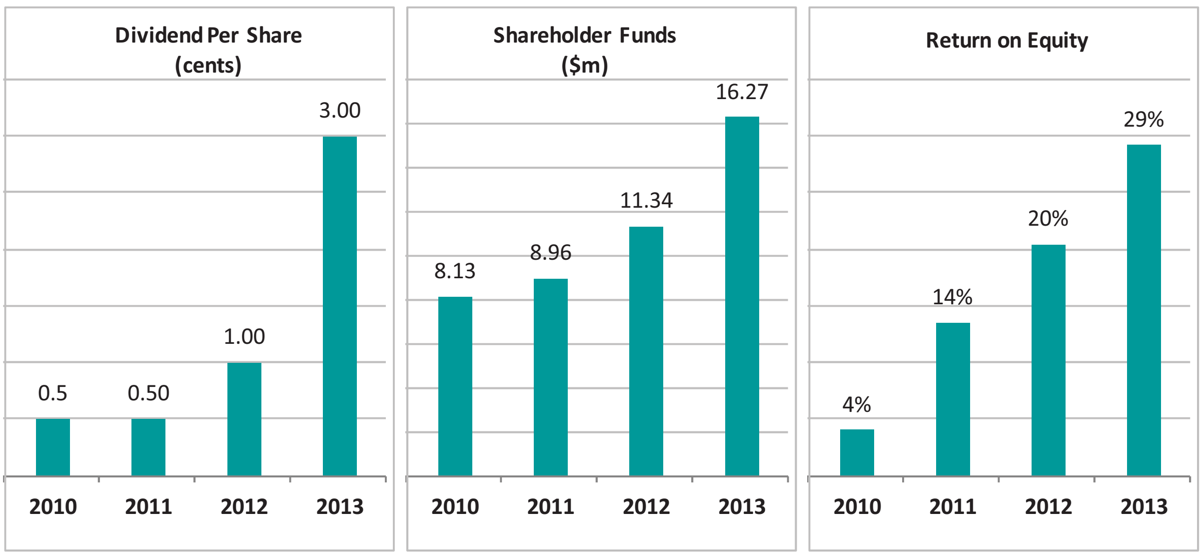
Chairman

Following 14 years of service as Vita Life's Chairman, Mr Gould stepped down (as Chairman) on 22 October 2013. He remains on the board as a non-executive director. Without his guidance, Vita Life would not be in the very strong financial position, with significant potential, that it finds itself today. The Board of Directors thank Mr Gould for his valuable service as Chairman.

Eddie Tie

Chairman and Managing Director
29 March 2014

Vita Life Key Financial Data



Directors' Report

Your Directors submit their report for the year ended 31 December 2013.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr Eddie L S Tie
Chairman and Managing Director
FCPA (Australia), FCCA (UK), CPA (M), CA (M), CFP, EMBA
Mr Tie has more than 25 years commercial experience including holding positions as Managing Director and Chief Executive Officer across companies involved in hotel and property development, manufacturing and education sectors. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of Finance of a publicly listed company in Malaysia.

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

Mr Tie lives in Kuala Lumpur, Malaysia and is 56 years old.

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

Mr Gould has been a member of the Board since 1997, and was Chairman appointed of the Board from 1999 until October 2013. Mr Gould currently serves as Chairman of the Audit and Risk, Board Nominations, and Remuneration Committees.

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

Mr Gould lives in Sydney and is 66 years old.

Mr Jonathan J Tooth
Non-Executive Director
B.Ec

Mr Tooth has over 20 years experience in providing corporate advisory services to ASX listed and unlisted small cap companies. He is presently a principal of the boutique corporate advisory practice Halcyon Corporate.

Mr Tooth was a Director of ASX listed company, Austock Group Limited, during the financial year.

Mr Tooth lives in Melbourne and is 57 years old.

Mr Henry G Townsing
Non-Executive Director
Dip Val

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

Mr Townsing is a Director of ASX listed Cyclopharm Limited.

Mr Townsing lives in Melbourne and is 58 years old.

Directors' Report (Continued)

Mr Matthew Beckett
Company Secretary (appointed 1 October 2013)
B Com, CA

Mr Beckett was appointed Company Secretary on 1 October 2013. He is a Chartered Accountant with 9 years experience in corporate finance, property development, insurance and consumer credit sectors.

Mr Beckett lives in Melbourne and is 31 years old.

Mr Ernest Chunge
Company Secretary (resigned 9 October 2013)
M Com

Mr Chunge resigned as Company Secretary on 9 October 2013. He holds a Master of Commerce from the University of Sydney.

Interests in the shares of the company and related bodies corporate

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

Director		At 1 January 2013	Purchases	LTIP Shares: Allotted / (Cancelled)*	Disposal	At 31 December 2013
Mr Eddie L S Tie	- beneficial	5,966,017	-	-	(1,135,517)	4,830,500
	- non beneficial	30,000	-	-	-	30,000
Mr Vanda R Gould - non beneficial		1,614,262	-	-	(10,549)	1,603,713
Mr Henry G Townsing - non beneficial		479,999	-	-	-	479,999
Mr Jonathan J Tooth - non beneficial		76,157	150,000	-	-	226,157

* Refer to Remuneration Report for details of Long Term Incentives

DIVIDENDS

On 17 February 2014, the Directors declared a final unfranked dividend of 2.0 cents per share totalling $1,125,000 in respect of the financial year ended 31 December 2013 (2012: fully franked dividend of 0.5 cents per share totalling $273,000), payable on 28 March 2014. An interim dividend of 1.0 cent per share franked to 41% was paid on 27 September 2013.

PRINCIPAL ACTIVITIES

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

Directors' Report (Continued)

REVIEW OF OPERATIONS

Vita Life Sciences Limited ("Vita Life") and its subsidiaries ("the Group") have recorded another excellent year. Sales growth was reported across all business units with a marked improvement in the Group's EBIT margin as costs have been leveraged against higher sales while diligently controlling expenditure.

Financial Performance

- Sales increased by 17.3% from that in 2012
- EBIT margin increased to 15.6% from 9.5%
- NPAT and EPS more than doubled
- Dividends payout increased to 3.0 cents per share
- Asian sales account for close to 60.0% of Group revenue

Financial Position

Shareholders equity has increased to $16.3m. Cash and cash equivalents represent 55.2% of this balance. The Group remains in a strong position to take advantage of any future opportunities as they arise.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Share Buy-Back

On 24 May 2013, 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 2013, the Company bought back 223,988 shares for total consideration of $259,867 excluding costs of $2,599.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends

On 17 February 2014, the Directors declared a final unfranked dividend of 2.0 cents per share totalling $1,125,000 in respect of the financial year ended 31 December 2013, payable on 28 March 2014.

Long Term Incentive Plan share issue

On 22 January 2014, Directors authorised the issue of 645,000 Long Term Incentive Plan shares to two Directors of subsidiaries of the Group and one key executive.

FUTURE DEVELOPMENTS

Disclosure of additional information not already disclosed in the Annual Report of Vita Life Sciences Ltd for the year ended 31 December 2013 regarding the business strategies, prospects and likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

The Company has resolved to indemnify its Directors and Officers for a liability to a third party unless the liability arises out of conduct involving a lack of good faith.

Directors' Report (Continued)

INDEMNIFICATION AND INSURANCE OF OFFICERS (CONTINUED)

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

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

The total amount of insurance contract premiums paid was $17,000 (2012: $17,000).

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

ENVIRONMENTAL REGULATIONS

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

DIRECTORS' MEETING

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

Director	Board Meetings		Audit Committee Meetings		Board Nomination Committee		Remuneration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Vanda R Gould	12	9	3	3	1	1	1	1
Mr Eddie L S Tie	12	12	*	*	*	*	*	*
Mr Henry G Townsing	12	11	*	*	1	1	1	1
Mr Jonathan J Tooth	12	12	3	3	*	*	*	*

* Not a member of the committees.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

	$'000
Tax compliance services	16
Share registry services	34
	50

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' Report (Continued)

INVESTMENT AND BUSINESS RISK MANAGEMENT

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

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

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

SHAREHOLDING BY DIRECTORS AND EXECUTIVES

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

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

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

(a) The period from year end and preliminary announcement of the full year results (usually 1 January to end February);
(b) The period from half year end and preliminary announcement of the half year results (usually 1 July to end August); and
(c) Any other periods advised to employees by the Board (via the Company Secretary).

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

ETHICAL STANDARDS

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Directors' Report (Continued)

REMUNERATION REPORT (AUDITED)

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

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

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

The Remuneration Committee is responsible for:

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

Total remuneration for all existing non-executive Directors during the financial year was $60,000. These fees are within the aggregate remuneration of $100,000 for all non-executive Directors as approved by shareholders at the Annual General Meeting held on 6 July 2006.

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

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

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

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

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

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

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

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

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

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

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

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

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

Remuneration consists of the following key elements:

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

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

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

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

Variable remuneration - Short Term Incentive ("STI")

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

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

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Executive remuneration (continued)

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

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

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

Variable remuneration – Long Term Incentives

Objective

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

The plan was implemented in 2010 and at the date of this report the Company had allocated 3,555,000 plan shares equivalent to 6.3% of the Company's capital. The principal terms and conditions of the Plan are:

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

Employment contracts

Managing Director

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

The principal terms of Mr Tie's contract are:

- Fixed remuneration of RM471,860 (including superannuation) or $155,627 at the prevailing exchange rates for the year ended 31 December 2013. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr Tie is entitled to receive Plan shares subject to shareholders' approval. Refer to note 24 Share Based Payment Plans of the financial statements for information on Plan shares issued to Mr Tie.
- Mr Tie may be entitled to receive a bonus on achieving certain benchmarks and targets.
- The Company may terminate Mr Tie's employment agreement by providing 6 months written notice. Mr Tie may resign by providing three months written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.
- Mr Tie is entitled to a redundancy payment equivalent to 12 months of his remuneration if any of the following events occur:
    - The Company ceases its control or ownership of any of the Established business units;
    - more than 50% of Directors retire or those who retire sell more than 50% of their shares in the Company;
    - a change in control of the Company resulting in Mr Tie reporting to another entity or other parties; or
    - a shareholder gains board representation and the Group business plan changes substantially.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Employment contracts (continued)

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

Remuneration of Key Management Personnel (Audited)
Table 1: Remuneration for the year ended 31 December 2013

	Short term employee benefits			Post employment benefits		
	Salary & Fees $	Bonus $	Share based payments $	Superannuation $	Total $	Performance rated %
2013						
Directors						
Mr Eddie L S Tie (1) Managing Director & Chairman	130,607	-	-	25,020	155,627	0%
Mr Vanda R Gould Non-Executive Director	30,000	-	-	-	30,000	n/a
Mr Henry G Townsing (2) Non-Executive Director	15,000	-	-	-	15,000	n/a
Mr Jonathan J Tooth Non-Executive Director	15,000	-	-	-	15,000	n/a
Total Directors Compensation (3)	190,607	-	-	25,020	215,627	0%
Key Management Personnel						
Edmund E M Sim Senior General Manager - Asian Business and Regulatory Affairs	195,388	47,938	-	11,241	254,567	19%
Tanakorn Chalermjiripas (4) General Manager - Thailand	75,676	10,132	-	-	85,808	12%
Geoffrey Pak (5) President - Multi-Level Marketing	56,069	-	-	-	56,069	0%
Total Key Management Compensation	327,133	58,070	-	11,241	396,444	15%
Grand total	517,740	58,070	-	36,261	612,071	9%

(1) Mr Tie's related company Business Intelligence & Support Inc received consulting fees during the financial year, as disclosed at note 20(c)

(2) Mr Townsing's Directors Fee is included in the consultancy fee paid to Pilmora Pty Ltd, as disclosed at note 20(c).

(3) Refer to Note 20 for transactions with companies related to Directors

(4) Mr Chalermjiripas was appointed General Manager – Thailand on 1 January 2013

(5) Mr Pak resigned as President of Multi-Level-Marketing on 30 April 2013

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Table 2: Remuneration for the year ended 31 December 2012

	Short term employee benefits			Post employment benefits		
	Salary & Fees $	Bonus $	Share based payments $	Superannuation $	Total $	Performance rated %
2012						
Directors						
Mr Vanda R Gould Non-Executive Director & Chairman	30,000	-	-	-	30,000	n/a
Mr Eddie L S Tie (1) Managing Director	124,265	-	151,326	23,805	299,396	51%
Mr Henry G Townsing (2) Non-Executive Director	15,000	-	-	-	15,000	n/a
Mr Jonathan J Tooth (3) Non-Executive Director	6,250	-	-	-	6,250	n/a
Mr John S Sharman (4) Non-Executive Director	7,500	-	-	-	7,500	n/a
Total Directors Compensation (5)	183,015	-	151,326	23,805	358,146	42%
Key Management Personnel						
Geoffrey Pak President - Multi-Level Marketing	150,624	-	5,120	-	155,744	3%
Edmund E M Sim (6) Senior General Manager - Asian Business and Regulatory Affairs	152,126	33,432	7,517	10,513	203,588	20%
PL Lee (7) Executive Director - VHAP	50,961	16,799	-	8,823	76,583	22%
Nathan A Cheong (8) General Manager - Australia & New Zealand	156,895	92,000	5,729	21,584	276,208	35%
L M Leong (9) General Manager - Singapore, China & Indonesia	63,949	29,065	7,517	8,986	109,517	33%
Total Key Management Compensation	574,555	171,296	25,883	49,906	821,640	24%
Grand total	757,570	171,296	177,209	73,711	1,179,786	30%

(1) Mr Tie's related company Business Intelligence & Support Inc received consulting fees during the financial year, as disclosed at note 20(c)

(2) Mr Townsing's Directors Fee is included in the consultancy fee paid to Pilmora Pty Ltd, as disclosed at note 20(c).

(3) Mr Tooth was appointed to the Board on 26 July 2012

(4) Mr Sharman resigned on 26 July 2012

(5) Refer to Note 20 for transactions with companies related to Directors

(6) Mr Sim was promoted to Senior General Manager – Asian Business and Regulatory Affairs on 1 May 2012

(7) Mr Lee resigned from the position of Executive Director – VHAP on 31 August 2012

(8) Mr Cheong resigned from the position of General Manager – Australia & New Zealand on 12 September 2012

(9) Ms Leong resigned from the position of General Manager – Singapore, China & Indonesia on 27 April 2012

Signed in accordance with a resolution of the Directors.

Eddie L S Tie
Managing Director
29 March 2014

29 March 2014

The Board of Directors
Vita Life Sciences Limited
Suite 650, Level 6
1 Queens Road
Melbourne VIC 3004

Dear Directors

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

In accordance with section 307c of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Vita Life Sciences Limited.

As lead auditor for the audit of the financial statements of Vita Life Sciences Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; or
- any applicable Code of Professional Conduct in relation to the audit.

Yours sincerely
RUSSELL BEDFORD NSW
Chartered Accountants

STEPHEN FISHER
Partner

Corporate Governance Statement

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

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

1 Compliance with ASX best practice recommendations

The ASX Listing Rules require a statement in a listed company's Annual Report which discloses the extent to which the ASX 30 best practice recommendations have been followed in the reporting period. As a listed company, Vita Life must identify those recommendations which have not been followed and provide reasons for non-compliance.

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

The Company considers that practices comply with 27 of the ASX best practice recommendations as at 31 December 2013. The Company considers that its recommendations comply with the best practice recommendations, other than recommendations 4.2 an explanation for the departure is provided in this statement in section 3(a). A checklist summarising this is set out in section 8 of this Statement.

2 The Board of Directors

(a) Membership

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

ASX Recommendation 2.6

The Company's Constitution requires a minimum of 3 directors and a maximum of 9 directors. As at 31 December 2013, there were three non-executive Directors and one executive director, in conformity with the Company's policy that the Board has a majority of non-executive directors. The terms and conditions of appointment and retirement of directors are set out in the Company's Constitution. The Board believes that its membership should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

(b) Board role and responsibilities

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

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

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

ASX Recommendations 1.1, 2.6

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(c) Chairman

The Chairman of the Board as at 31 December 2013 and as at the date of the signing of this report is Mr Eddie Tie, an executive of the Group. Mr Vanda Gould, the Chairman resigned as Chairman on 22 October 2013, advising he would not be able to devote the time required by the position of Chairman. Mr Gould remains on the Board as an independent, non-executive director.

The Board notes that Mr Tie does not meet the definition of independent or non-executive, and holds both offices of Chairman and Managing Director. The ASX recommends that best practice is to have an independent, non-executive Chairman and that the roles of Chairman and Managing Director should be separate. Given the nature and size of the Company, the Board feels that there is appropriate oversight in place from the three non-executive Directors for the Board to act in an independent manner.

The Chairman is elected by the full Board of directors and is responsible for:

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

ASX Recommendation 2.3

(d) Independent directors

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

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

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

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

ASX Recommendation 2.1, 2.6

(e) Avoidance of conflicts of interest by a director

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

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members further when

(f) Board Meetings

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

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

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(g) Review of Board Performance

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

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

ASX Recommendation 2.5

(h) Nomination and appointment of new directors

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

ASX Recommendations 2.1, 2.4

(i) Retirement and re-election of directors

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

ASX Recommendation 2.4

(j) Board access to information and advice

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

ASX Recommendation 2.5, 2.6

Corporate Governance Statement (Continued)

3 Board Committees

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

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

(a) Audit and Risk Committee

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

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

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

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

The Audit and Risk Committee monitors and reviews:

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

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

ASX Recommendations 4.1, 4.2, 4.3, 4.4

Corporate Governance Statement (Continued)

3 Board Committees (Continued)

(b) Board Nominations Committee

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

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

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

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

ASX Recommendations 2.4, 2.6

(c) Remuneration Committee

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

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

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

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

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

ASX Recommendations 8.1, 8.2

4 Recognising and managing risks

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

Corporate Governance Statement (Continued)

4 Recognising and managing risks (Continued)

(a) Board oversight of the risk management system

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

The Company recognises four main types of risk:

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

ASX recommendations 7.1, 7.4

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

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

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

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

(b) Risk management roles and responsibilities

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

ASX Recommendation 7.2

(c) Managing Director and Chief Financial Officer Certification

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

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

ASX recommendations 7.3

(d) Internal review and risk evaluation

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

Corporate Governance Statement (Continued)

5 Remuneration

(a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the Company's officers and executives are set out in the Remuneration Report on page 15 and 16. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

ASX recommendations 8.1, 8.2, 8.3

(b) Equity-based key management personnel remuneration

The Long Term Incentive Plan ("Plan") and Mr Tie's participation in the Plan as a Director of the Company were approved by shareholders at the Annual General Meetings held on 31 May 2007, 21 May 2009, 20 May 2010 and 16 May 2012 in Melbourne. The purpose of the Plan is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the Plan will require shareholders approval in accordance with the ASX Listing Rules.

6 Timely and balanced disclosure

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

(a) Market disclosure policy and practices

This policy includes provision for communications by the Company to:

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

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

ASX Recommendations 5.1, 5.2, 6.1,6.2

(b) Communication strategy

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

ASX Recommendations 6.1, 6.2

Corporate Governance Statement (Continued)

7 Ethical and responsible decision-making

(a) Code of Ethics and Conduct

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

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

ASX Recommendations 3.1, 3.2, 3.3

(b) Diversity Policy

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

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

The proportion of women employees in various positions in the Group at 31 December 2012 are as follows:

	2013	**2012**
Whole organisation	90%	91%
Senior Executives	70%	69%
Board of Directors	0%	0%

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

ASX Recommendations 3.2, 3.3, 3.4

8 Checklist for summarising the best practice recommendations and compliance

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

Corporate Governance Statement (Continued)

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

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013	Notes	2013 $'000	2012 $'000
CONTINUING OPERATIONS			
Sale of goods		35,411	30,191
Cost of sales		(11,366)	(10,674)
Gross profit		24,045	19,517
Other income	5 (a)	79	163
Distribution expenses		(2,886)	(2,570)
Marketing expenses		(2,189)	(2,278)
Occupancy expenses		(834)	(719)
Administrative expenses	5 (b)	(12,378)	(10,963)
Other expenses	5 (c)	(310)	(296)
Share of associates (loss)/ profit		(16)	11
Profit from continuing operations before interest and taxes		5,511	2,865
Finance income	5 (d)	125	113
Finance costs	5 (e)	(120)	(137)
Profit before income tax		5,516	2,841
Income tax expense	7	(770)	(525)
Net profit for the year		4,746	2,316
Other comprehensive income after income tax			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign controlled entities		876	358
Other comprehensive income for the year, net of income tax		876	358
Total comprehensive income for the year		**5,622**	**2,674**
Loss attributable to non-controlling interest		(2)	(51)
Profit attributable to members of the parent		4,748	2,367
		4,746	2,316
Total comprehensive income / (expense) attributable to:			
Non-controlling interest		4	(46)
Members of the parent		5,618	2,720
		5,622	2,674
Earnings per share (cents per share)			
- basic earnings per share	6	8.53	4.35
- diluted earnings per share	6	8.42	4.14

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

Consolidated Statement of Financial Position

as at 31 December 2013	Notes	2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	8,973	5,017
Trade and other receivables	9	4,866	4,481
Inventories	10	6,110	5,612
Other assets	11	542	469
Total Current Assets		20,491	15,579
Non Current Assets			
Investment in associates	12	1,022	947
Property, plant and equipment	13	286	126
Intangible assets	14	83	73
Deferred tax assets	7	127	88
Total Non Current Assets		1,518	1,234
Total Assets		**22,009**	**16,813**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	4,405	4,591
Current tax liability		533	289
Provisions	17	746	542
Total Current Liabilities		5,684	5,422
Non Current Liabilities			
Deferred Tax Liability	7	9	8
Provisions	17	47	41
Total Non Current Liabilities		56	49
Total Liabilities		**5,740**	**5,471**
Net Assets		**16,269**	**11,342**
EQUITY			
Contributed equity	18	46,100	45,956
Accumulated losses		(29,623)	(33,532)
Employee share based payments reserve	19	472	472
Foreign currency translation reserve	19	(770)	(1,640)
Parent entity interest		16,179	11,256
Non-controlling interest		90	86
Total Equity		**16,269**	**11,342**

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 2013	Notes	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		38,863	32,743
Payments to suppliers and employees		(33,536)	(31,127)
Income tax paid		(564)	(270)
Interest received		125	113
Borrowing costs		(53)	(76)
Net cash flows provided by operating activities	8 (e)	4,835	1,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash recognised upon consolidation of Thai Group		-	190
Proceeds from sale of property, plant and equipment		-	22
Purchase of property, plant and equipment		(279)	(119)
Net cash flows provided by / (used in) investing activities		(279)	93
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		407	506
Dividends Paid		(839)	(544)
Shares bought back (net of costs)		(263)	(118)
Net cash flows used in financing activities		(695)	(156)
Net increase in cash and cash equivalents		3,861	1,320
Net foreign exchange differences		95	65
Cash and cash equivalents at beginning of the year		5,017	3,632
Cash and cash equivalents at end of the year	8 (d)	**8,973**	**5,017**

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 2013	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	Non-controlling Interests $'000	Total $'000
Balance at 1 January 2013		45,956	472	(33,532)	(1,640)	11,256	86	11,342
Comprehensive income								
Profit attributable to members of parent entity		-	-	4,748	-	4,748	(2)	4,746
Other comprehensive income for the year		-	-	-	870	870	6	876
Total comprehensive income for the year		-	-	4,748	870	5,618	4	5,622
Transactions with owners, in their capacity as owners								
Shares bought back		(263)	-	-	-	(263)	-	(263)
Repayment of loans on Employee share option scheme		407	-	-	-	407	-	407
Dividends paid	18(d)	-	-	(839)	-	(839)	-	(839)
Total transactions with owners		144	-	(839)	-	(695)	-	(695)
Balance at 31 December 2013		46,100	472	(29,623)	(770)	16,179	90	16,269

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 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	Non-controlling Interests $'000	Total $'000
Balance at 1 January 2012		45,568	272	(35,355)	(1,993)	8,492	464	8,956
Comprehensive income								
Profit attributable to members of parent entity		-	-	2,367	-	2,367	(51)	2,316
Other comprehensive income for the year		-	-	-	353	353	5	358
Total comprehensive income for the year		-	-	2,367	353	2,720	(46)	2,674
Transactions with owners, in their capacity as owners								
Recognition of non-controlling interest		-	-	-	-	-	87	87
De-recognition of non-controlling 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	18(d)	-	-	(544)	-	(544)	-	(544)
Total transactions with owners		388	200	(544)	-	44	(332)	(288)
Balance at 31 December 2012		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.

Notes to the Financial Statements

For the Year Ended 31 December 2013

1 Corporate Information

The financial report of Vita Life Sciences Limited ("Company" or "Vita Life") for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on the date of this report.

Vita Life is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the code VSC. The nature of the operations and principal activities of Vita Life and its controlled entities ("the Group") are described in the Directors' Report.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial 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) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2013. 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 Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are 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 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.

Non-controlling interests represent the interests in Vita Life Sciences (Thailand) Co. Ltd and Vitahealth (Thailand) Co. Ltd not held by the Group**.** Non-controlling 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 2013

2 Summary of Significant Accounting Policies (continued)

(c) 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 costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising from the issue of equity instruments are recognised directly in equity.

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

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

(d) Foreign currency translation

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

The functional currency of the main operating overseas subsidiaries Vita Healthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are Malaysian Ringgit (RM), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd, Supplements World Pte Ltd and Vita Corporation Pte Limited are Singapore Dollars (SGD), Herbs of Gold (Shanghai) Company Ltd is Hong Kong Dollars, Vita Health (Thailand) Co Ltd and Vita Life Sciences (Thailand) Co Ltd are Thai Baht and Vita Health (Vietnam) Company Limited is Vietnamese Dong.

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

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

The exchange differences arising on the retranslation of foreign subsidiaries are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

(e) 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 2013

2 Summary of Significant Accounting Policies (continued)

(f) 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.

(g) 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 are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Finished goods – cost of direct materials plus transportation costs, cost of packaging materials and packing costs.

(h) Property, plant and equipment

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

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

Depreciation

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

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

	Rate	***Method***
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method

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

(i) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(i) Intangibles (continued)

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. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on prospective basis.

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

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

(j) Impairment of non-financial assets

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 indicates 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 which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Trade and other payables

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(l) Interest bearing loans and borrowings

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

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

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

Borrowing costs

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

(m) Provisions

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

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

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

(n) 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 outflows 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.

(o) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(p) Leases

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

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

(q) 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 distribution costs) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

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

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

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

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

(r) Investments in associates

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

The Group generally deems they have significant influence if they have over 20% of the voting rights. Refer also to Note 3.

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(r) Investments in associates (continued)

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

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

(s) Income and other taxes

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

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

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

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

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(s) Income and other taxes (continued)

Tax consolidation

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

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "Stand-Alone Taxpayer" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

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

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

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

Other taxes

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

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

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

(t) Financial instruments

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

Loans and receivables

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

De-recognition of financial instruments

Financial assets

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments (continued)

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.

<u>Impairment</u>

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.

Impairment Reversal

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.

(u) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(v) Share-based payment transactions

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

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

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

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

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

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

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

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

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.

(w) Comparative figures

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

(x) Rounding of amounts

The Group has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report are rounded off to the nearest $1,000.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

(y) New accounting standards and interpretations not yet adopted

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed 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;
- 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 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 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 are mandatorily applicable for annual reporting periods commencing on or after 1 January 2015. It is not anticipated that these standards will have a significant impact on the Group.

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 Aus 29.9.3)

This Standard is not expected to significantly impact the Group's financial report as a whole because it is anticipated that such disclosure will be contained in the directors' report.

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

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

2 Summary of Significant Accounting Policies (continued)

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

AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2013-4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2013-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounting for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

(z) New and amended accounting standards and interpretations adopted by the Group

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of January 1 2013:

- AASB 10: *Consolidated Financial Statements* and AASB12:*Disclosure of Interest in Other Entities*

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees.

  This Standard has had no material impact on the Group's financial statements.

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associates. 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 affects disclosures only and has not significantly impacted the Group's financial statements.

- AASB13: *Fair Value Measurement*

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

  AASB 13 requires:

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

  This Standard results in more detailed fair value disclosures and have not significantly impacted the amounts recognised in the Group's financial statements.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

3 Significant accounting judgements, estimates and assumptions

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

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

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

Capitalised development costs
Included in intangible assets (Note 14) at the end of the year is an amount of $83,000 (2012: $73,000) 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.

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 2013, the Company recognised no expense (2012: $200,000) in the consolidated statement of comprehensive income with a corresponding increase in employee share based payment reserve. Refer to note 24 for details of the Company's Share Based Payment Plan.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

3 Significant accounting judgements, estimates and assumptions (continued)

Controlled entities with ownership interests of less than 50% of the voting interest

Vita Life Sciences (Thailand) Co. Ltd is primarily an investment holding company.

The Directors of the Group have concluded that the Group controls Vita Life Sciences (Thailand) Co. Ltd notwithstanding that it currently holds only 49% of the ordinary shares of Vita Life Sciences (Thailand) Co. Ltd. Three of the five Directors of Vita Life Sciences (Thailand) Co. Ltd have been appointed to the Board by the Group, hence the Group is considered to have control over decisions made by the Vita Life Sciences (Thailand) Co. Ltd Board.

Investment in Associate

Mitre Focus Sdn Bhd is an investment holding company incorporated in Malaysia, with a principal investment of a property project in Malaysia.

Notwithstanding the fact that the Group holds an effective equity interest of 6.3% in Mitre Focus Sdn Bhd, the Directors consider the Group's representation on Mitre Focus Sdn Bhd's board with associated participation in the policy making process of the company demonstrates significant influence over Mitre Focus Sdn Bhd.

4 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.

Secondary segment information reported is business segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Intersegment transactions
Intersegment transactions are made at a transfer price set between the two segments involved, generally at cost of the item or service provided plus a nominal margin percentage. All such transactions are eliminated on consolidation in the Group's financial statements.

Corporate charges are allocated across business segments based on the segments overall proportion of revenue generation with the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are recognized at the consideration received/to be received net of transaction costs.

Segment assets and liabilities
All assets and liabilities are allocated to specific segments, as they are clearly identifiable by their nature and physical location.

Unallocated items
The following corporate charges are unallocated for business segment reporting, as they are not considered to be representative of a particular business segment:

- non-executive directors fees;
- expenses incurred from the Long Term Incentive Plan;
- audit fees;
- fees from advice upon taxation matters; and
- Company Secretarial costs, including all corporate compliance matters.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

4 Segment information (continued)

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 2013 and 31 December 2012.

	Australia $'000	Singapore $'000	Malaysia $'000	Others $'000	Total $'000
Year ended 31 December 2013					
Revenue					
Sales to external customers	14,220	5,658	12,349	3,184	35,411
Total segment revenue	14,220	5,658	12,349	3,184	35,411
Segment results					
Earnings before interest and tax	1,614	1,908	2,143	(138)	5,527
Net interest	24	(2)	(12)	(5)	5
Share of profit of associates	-	-	-	(16)	(16)
Profit before income tax					5,516
Income tax expense					(770)
Net profit for the year					4,746
Assets and liabilities					
Segment assets	8,087	3,198	7,422	2,280	20,987
Investment in associates					1,022
Total assets					22,009
Segment liabilities	2,133	1,121	2,260	226	5,740
Total liabilities					5,740
Other segment information					
Capital expenditure	(19)	(135)	(125)	-	(279)
Depreciation	(8)	(22)	(55)	(13)	(98)
Amortisation	-	(1)	(12)	(2)	(15)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

4 Segment information (continued)

	Australia $'000	Singapore $'000	Malaysia $'000	Others $'000	Total $'000
Year ended 31 December 2012					
Revenue					
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
Segment results					
Earnings before interest and tax	1,097	1,076	1,221	(540)	2,854
Net interest	6	(2)	(26)	(2)	(24)
Share of profit of associates	-	-	-	11	11
Profit before income tax					2,841
Income tax expense					(525)
Net profit for the year					2,316
Assets and liabilities					
Segment assets	6,741	2,265	4,723	2,137	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
Other segment information					
Capital expenditure	(11)	(37)	(63)	(8)	(119)
Depreciation	(5)	(6)	(59)	(16)	(86)
Amortisation	-	(1)	(5)	(2)	(8)

Business segments

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

4 Segment information (continued)

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2013 and 31 December 2012.

Year ended 31 December	2013			2012		
	Health $'000	Investment $'000	Total $'000	Health $'000	Investment $'000	Total $'000
Revenue						
Sales to external customers	35,411	-	35,411	30,191	-	30,191
Result						
Segment results	5,856	(24)	5,832	3,369	4	3,373
Unallocated expenses	-	-	(321)	-	-	(508)
Earnings before interest and tax			5,511			2,865
Net interest			5			(24)
Profit before income tax			5,516			2,841
Income tax expense			(770)			(525)
Net profit for the year			4,746			2,316
Assets and liabilities						
Segment assets	20,987	1,022	22,009	15,866	947	16,813
Total assets			22,009			16,813
Segment liabilities	5,734	6	5,740	5,466	5	5,471
Total liabilities			5,740			5,471
Other segment information						
Capital expenditure	(279)	-	(279)	(119)	-	(119)
Depreciation	(98)	-	(98)	(86)	-	(86)
Amortisation	(15)	-	(15)	(8)	-	(8)

5 Revenue and expenses

	2013 $'000	2012 $'000
(a) Other income		
Reversal of previous years impairment loss	22	28
Gain on consolidation of Thai Group	-	82
Other income	57	53
	79	**163**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

5 Revenue and expenses (continued)

	2013 $'000	2012 $'000
(b) Administrative expenses		
Legal and other professional fees	(294)	(310)
Consultants	(616)	(554)
Wages, salaries and other employee expenses	(9,923)	(8,907)
Defined contribution superannuation expense	(617)	(445)
Travelling expenses	(310)	(213)
Share based payment expense	-	(200)
Depreciation	(98)	(86)
Amortisation	(15)	(8)
Other administrative expenses	(505)	(240)
	(12,378)	**(10,963)**
(c) Other expenses		
Product registration costs	(199)	(200)
Realised loss on foreign exchange	(17)	(29)
Unrealised foreign exchange loss	(78)	(53)
Loss on disposal of property, plant and equipment	(16)	(14)
	(310)	**(296)**
(d) Finance income		
Interest received - external parties	125	113
	125	**113**
(e) Finance expenses		
Interest expense - external parties	(53)	(76)
Bank charges	(67)	(61)
	(120)	**(137)**

6 Earnings per share

	2013 $'000	2012 $'000
(a) Earnings used in calculating earnings per share		
Net profit attributable to equity holders from continuing operations	4,746	2,316
Loss contributable to non-controlling interest	2	51
Earnings used to calculate basic and dilutive earnings per share	**4,748**	**2,367**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

6 Earnings per share (continued)

	2013 Number	2012 Number
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	55,667,396	54,411,605
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.	56,373,646	57,236,813

7 Income taxes

	2013 $'000	2012 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Income Statement:		
Current income tax		
Current income tax charge	1,557	935
Tax benefits arising from previously unrecognised tax losses of prior years	(706)	(435)
Prior year under (over) / under provision	(43)	25
Deferred income tax		
Relating to origination and reversal of temporary differences	(38)	-
Income tax expense reported in the income statement	**770**	**525**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

7 Income Taxes (continued)

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

	2013 $'000	2012 $'000
Total accounting profit before income tax	5,516	2,841
At the parent entity's statutory income tax rate of 30% (2012: 30%)	1,655	852
Adjustment in respect of current income tax of previous year	(43)	25
Foreign tax rate adjustment	(99)	(6)
Travel and staff amenities expenses	25	6
Share based payments	-	60
Other income/(expenditure) not allowable for income tax purposes	118	47
Tax losses and timing differences not brought to account / (recognised)	(886)	(459)
Aggregate income taxes	**770**	**525**
The applicable weighted tax rates are as follows:	14%	18%

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

	2013 $'000	2012 $'000
Deferred tax assets/ (liabilities)		
Doubtful debts	2	5
Inventory obsolescence	49	15
Property, plant and equipment	(5)	(4)
Trade and other receivables	(4)	(3)
Provision for annual leave	31	24
Provision for long service leave	14	12
Other provision	31	31
Net deferred tax assets/ (liabilities)	**118**	**80**
Presented in the consolidated Statement of Financial Position as follows:		
Deferred tax assets	127	88
Deferred tax liabilities	(9)	(8)
	118	**80**

(d) Tax losses

The Group has Australian carry forward tax losses as at 31 December 2013 for which no deferred tax asset is recognised on the statement of financial position of approximately $7.5 million dollars 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

7 Income Taxes (continued)

(e) Unrecognised temporary differences

At 31 December 2013, there is no recognised or unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates, as the Group has no liability for additional taxation should such amounts be remitted.

(f) Tax consolidation

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

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

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

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

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

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

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

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:

	2013 $'000	2012 $'000
Total increase in intercompany receivable of Vita Life Sciences Limited	707	522

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

8 Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and in hand (a)	6,280	3,922
Short term deposit (b)	2,693	1,095
Total cash and cash equivalents	**8,973**	**5,017**

(a) Cash at bank of $1,856,000 (2012: $625,000) 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 was $8,973,000 (2012: $5,017,000).

(d) For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:

	2013 $'000	2012 $'000
Cash at bank and in hand (a)	6,280	3,922
Short term deposit (b)	2,693	1,095
Total cash and cash equivalents	**8,973**	**5,017**

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

	2013 $'000	2012 $'000
Net profit after tax	4,746	2,316
Adjustments for non-cash income and expense items:		
Depreciation	98	86
Amortisation	15	8
Net loss on disposal of property, plant & equipment	16	14
Loss on business combinations	-	13
Shared based payment expense	-	200
(Reversal of) / allowance for for impairment loss	(22)	(28)
	4,853	**2,609**
Increase/decrease in assets and liabilities:		
(Increase) in inventories	(498)	(1,911)
Decrease in investment in associates	16	744
(Increase) / decrease in receivables	(363)	(1,159)
(Increase) in other assets	(73)	(191)
Increase in income tax payable	206	255
Increase / (decrease) in trade and other payables	(186)	674
Increase in other liabilities	210	149
Effect of foreign exchange translation of assets and liabilities	670	213
Net cash provided by operating activities	**4,835**	**1,383**

9 Trade and other receivables

	2013 $'000	2012 $'000
Current		
Trade receivables, third parties	3,600	3,519
Allowance for impairment loss (a)	(7)	(29)
	3,593	3,490
Other receivables:		
Other receivables (b)	1,137	957
Net tax receivable	136	34
	4,866	**4,481**

(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 $22,000 (2012: $28,000) 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:

	2013 $'000	2012 $'000
At 1 January	29	57
Charge for the year	(22)	(28)
At 31 December	**7**	**29**

(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) 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.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

10 Inventories

	2013 $'000	2012 $'000
Current		
Raw materials at cost	756	2,409
Finished goods at lower of cost and net realisable value	5,354	3,203
	6,110	**5,612**

11 Other assets

	2013 $'000	2012 $'000
Current		
Prepayments	409	382
Security deposits	133	87
	542	**469**

12 Investment in Associate

	2013 $'000	2012 $'000
Non- current		
Unlisted		
- Mitre Focus Sdn Bhd (a)	1,022	947
Investment in associate	**1,022**	**947**

	2013 $'000	2012 $'000
(a) Details of the carrying value of investment and share of profit in associate:		
Mitre Focus Sdn Bhd		
- Investment in associate at cost *	-	-
- Loan to associate	973	882
- Cumulative share of associate's profit	49	65
Carrying value of investment in associate	**1,022**	**947**

* Note that the carrying value of the investment is $22, which has been rounded to Nil.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

12 Investment in Associate (continued)

	Measurement Method	Place of Incorporation / Business	Ownership Interest 31 December 2013 %	Ownership Interest 31 December 2012 %
(b) Investment details				
Name of Company				
Unlisted				
- Mitre Focus Sdn Bhd	Equity Method	Malaysia	6.3	6.3

Mitre Focus Sdn Bhd is an investment holding company incorporated in Malaysia, with a principal investment of a property project in Malaysia.

Notwithstanding the fact that the Group holds an effective equity interest of 6.3% in Mitre Focus Sdn Bhd, the Directors consider the Group's representation on Mitre Focus Sdn Bhd's board with associated participation in the policy making process of the company demonstrates significant influence over Mitre Focus Sdn Bhd.

	2013 $'000	2012 $'000
(c) Summarised financial information		
The following illustrates summarised financial information relating to the Group's associate:		
Extract from the associates statement of financial position:		
Current assets	4,905	3,638
Non - current assets	2,240	3,083
	7,145	6,721
Current liabilities	(4,310)	(3,798)
Non - current liabilities	(171)	-
	(4,481)	(3,798)
Net assets	2,664	2,923
Share of associates net assets	**168**	**184**
Extract from the associates income statements:		
Revenue	3,013	2,033
Net profit / (loss)	(259)	179
Other comprehensive income	-	-
Total comprehensive income	(259)	**179**

(d) The reporting date of the associate is 31 December 2013. The reporting date coincides with the Company's reporting date.

(e) Loans to the associate are interest free and have no fixed repayment term.

(f) As at 31 December 2013, there are no contingent liabilities relating to the associate.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

13 Property, plant and equipment

	Leasehold improvements $'000	Plant and equipment $'000	Leased Plant and Equipment $'000	Total $'000
Year ended 31 December 2013				
At 1 January 2013 net of accumulated depreciation and impairment	27	99	-	126
Additions	63	199	-	262
Disposals	-	(16)	-	(16)
Exchange differences	5	7	-	12
Depreciation / amortisation for the year	(25)	(73)	-	(98)
At 31 December 2013 net of accumulated depreciation and impairment	**70**	**216**	**-**	**286**
At 31 December 2013				
Cost value	361	1,739	119	2,100
Accumulated depreciation and impairment	(291)	(1,523)	(119)	(1,814)
Net carrying amount	**70**	**216**	**-**	**286**

	Leasehold improvements $'000	Plant and equipment $'000	Leased Plant and Equipment $'000	Total $'000
Year ended 31 December 2012				
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 deprecation on Thai Consolidation	-	(14)		(14)
Depreciation / amortisation for the year	(23)	(63)	-	(86)
At 31 December 2012 net of accumulated depreciation and impairment	**27**	**99**	- **-**	**126**
At 31 December 2012				
Cost value	293	1,549	119	1,961
Accumulated depreciation and impairment	(266)	(1,450)	(119)	(1,835)
Net carrying amount	**27**	**99**	**-**	**126**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

14 Intangible assets

	Product Development costs $'000	Total $'000
Year ended 31 December 2013		
At 1 January 2013 net of accumulated depreciation and impairment	73	73
Additions	21	21
Impairment / amortisation	(15)	(15)
Exchange differences	4	4
At 31 December 2013 net of accumulated depreciation and impairment	**83**	**83**
At 31 December 2013		
Gross carrying amount	398	398
Accumulated amortisation and impairment	(315)	(315)
Total	**83**	**83**

	Product Development costs $'000	Total $'000
Year ended 31 December 2012		
At 1 January 2012 net of accumulated depreciation and impairment	67	67
Additions	13	13
Amortisation	(8)	(8)
Exchange differences	1	1
At 31 December 2012 net of accumulated depreciation and impairment	**73**	**73**
At 31 December 2012		
Gross carrying amount	373	373
Accumulated amortisation and impairment	(300)	(300)
Total	**73**	**73**

Development costs

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

15 Trade and other payables

	2013 $'000	2012 $'000
Current		
Trade payables (a)	1,986	2,423
Net tax payable	261	75
Other payables and accruals	2,158	2,093
	4,405	**4,591**

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

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

16 Interest bearing loans and borrowings

The Group currently has no interest bearing loan or borrowing balances. At the balance date, the following financing facilities had been negotiated and were available:

	2013 $'000	2012 $'000
Total facilities available:		
Trade financing facility - secured	479	434
Bank overdraft	268	262
	747	**696**
Facilities utilised at balance date:		
Trade financing facility - secured	-	-
Bank overdraft	-	-
	-	**-**
Facilities not utilised at balance date:		
Trade financing facility - secured	479	434
Bank overdraft	268	262
	747	**696**

16 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 2013 is 7.95% (2012: 7.95%). The facility has a fixed and floating charge over the assets and undertakings of the subsidiaries.

(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 2013 is 9.48% p.a. (2012: 10.00% 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) Interest rate, foreign exchange and liquidity risks

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

(e) Default and breaches

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

17 Provisions

	Employee Entitlements $'000	Others $'000	Total $'000
Consolidated			
Balance at 1 January 2013	**563**	**20**	**583**
Charged during year	895	10	905
Used during year	(715)	(13)	(728)
Foreign exchange difference	35	(2)	33
Balance at 31 December 2013	**778**	**15**	**793**
At 31 December 2013			
Current	731	15	746
Non-Current	47	-	47
	778	**15**	**793**
At 31 December 2012			
Current	522	20	542
Non-Current	41	-	41
	563	**20**	**583**

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 2013

18 Contributed Equity

	2013 Number	2012 Number	2013 $	2012 $
Issued and paid up capital				
Ordinary shares	**56,250,650**	**56,474,638**	**46,100,480**	**45,956,146**
Ordinary shares				
Balance at beginning of the year	56,474,638	57,845,060	45,956,146	45,568,037
Share buy back (a)	(223,988)	(338,801)	(262,466)	(118,042)
Shares issued during the year	-	103,379	-	32,051
Share issue costs	-	-	-	(1,500)
Cancellation of Plan Shares of certain employees and Director	-	(1,460,000)	-	-
Issue of shares to employee / director	-	325,000	-	-
Plan shares exercised (b)	-	-	406,800	475,600
Balance at end of the year	**56,250,650**	**56,474,638**	**46,100,480**	**45,956,146**

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

(a) Share Buy-Back

On 24 May 2013, 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 2013, the Company bought back 223,988 shares for total consideration of $259,867 excluding costs of $2,599.

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

During the year ended 31 December 2013, a sum of $406,800 was paid by the Managing Director and other employees of the Group to retire limited recourse loans for 1,695,000 ordinary shares issued in 2011 under the Company's Long Term Incentive Plan.

(c) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

18 Contributed Equity (continued)

(d) Dividends

The Directors declared a partially franked interim dividend of 1.0 cent per share and an unfranked final dividend of 2.0 cents per share in respect of the financial year ended 31 December 2013 (2012: fully franked interim dividend of 0.5 cents and fully franked final dividend of 0.5 cents). The final dividend of 2.0 cents per share has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2013.

	2013 Cents per Share	2012 Cents per Share	2013 $'000	2012 $'000
Fully paid ordinary shares				
Final dividend for the previous financial year				
- Fully franked at 30% corporate tax rate	0.50	0.50	274	272
Interim dividend for the financial year				
- Franked to 41%	1.00	-	565	-
- Fully franked at 30% corporate tax rate	-	0.50	-	272
	1.50	**1.00**	**839**	**544**

	2013 $'000	2012 $'000
Adjusted franking credits (tax paid basis)	**-**	**215**

The Group has no remaining imputation credits to distribute. In light of current tax losses carried forward of approximately $7.5m, dividends will remain unfranked for the foreseeable future.

19 Reserves

(a) Employee share based payments reserve

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

(b) Foreign currency translation reserve

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

20 Related party disclosure

(a) Key management personnel

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

(b) Ultimate holding company

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

(c) Transactions with related parties

The total amount of transactions that were entered into with related parties for the relevant financial year were:

	2013 $'000	2012 $'000
Business Intelligence & Support Inc (i)	429	377
CVC Venture Managers Pty Ltd (ii)	108	99
Pilmora Pty Ltd (iii)	15	15
Melbourne Corporation Pty Ltd (iv)	15	22

(i) During the financial year, Business Intelligence & Support Inc (BISI), a company in which Mr Eddie L S Tie is a director, and therefore a related party, provided international business advisory, sales, marketing and promotional services to the Group. There was no amount payable as at 31 December 2013 (2012: $162,000).

(ii) CVC Venture Managers Pty Ltd, a company in which Mr Vanda Gould and Mr Henry Townsing are directors, and therefore a related party, was paid $108,000 (2012: $99,000) for consultancy services during the financial year. There was no amount payable as at 31 December 2013 (2012: $nil).

(iii) Pilmora Pty Ltd, a company in which Mr Henry Townsing is a director and therefore a related party, was paid $15,000 (2012: $15,000) for consultancy services during the financial year. $15,000 was payable as at 31 December 2013, and is included in trade and other creditors (2012: $8,000).

(iv) Melbourne Corporation Pty Ltd, a company in which Mr Vanda Gould is a director and therefore a related party, was paid $15,000 (2012: $22,000) for consultancy services during the financial year. There was no amount payable as at 31 December 2013 (2012: $8,000).

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

20 Related party disclosures (continued)

(d) Subsidiaries

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

Name	Place of Incorporation	Percentage of Equity Interest 2013 %	2012 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed BioSciences Pty Limited	Australia	100	100
Allrad No. 19 Pty Limited	Australia	100	100
Lovin Pharma International Limited	Ireland	100	100
Herbs of Gold Pty Limited	Australia	100	100
Herbs of Gold (Shanghai) Co. Limited	People's Republic of China	100	100
VitaHealth Laboratories Australia Pty Limited	Australia	100	100
Premier Foods Pty Limited	Australia	100	100
Vita Corporation Pte Limited	Singapore	100	100
Herbs of Gold (S) Pte Ltd (formerly Supplements World Pte Ltd)	Singapore	100	100
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
Vitahealth Biotech Sdn Bhd (formerly Vitaron Jaya Sdn Bhd)	Malaysia	100	100
Vita Life Sciences Sdn Bhd	Malaysia	100	70
Herbs of Gold Sdn Bhd	Malaysia	100	-
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	Thailand	49	49
Vitahealth (Thailand) Co. Ltd	Thailand	74	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 2013

21 Key Management Personnel

(a) Details of Key Management Personnel

Directors

Eddie L S Tie	Chairman and Managing Director. Mr Tie was appointed Chairman 22 October 2013.
Vanda R Gould	Director (Non-executive). Mr Gould stepped down as Chairman 22 October 2013.
Henry G Townsing	Director (Non-executive)
Jonathan J Tooth	Director (Non-executive).

Executives

Edmund E M Sim	General Manager – Asian Business and Regulatory Affairs
Tanakorn Chalermjirapas	General Manager – Thailand.

(b) Compensation of Key Management Personnel

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

22 Parent entity disclosures

Financial position as at 31 December	**2013 $'000**	**2012 $'000**
ASSETS		
Current Assets	70	49
Non - Current Assets	6,549	7,169
Total Assets	6,619	7,218
LIABILITIES		
Current Liabilities	298	319
Non - Current Liabilities	-	-
Total Liabilities	298	319
Equity		
Issued capital	46,100	45,956
Accumulated losses	(40,252)	(39,529)
Employee share based payments reserve	472	472
Total Equity	**6,321**	**6,899**
Financial performance for the year ended 31 December		
Loss for the year	(409)	(292)
Other comprehensive expense	-	-
Total comprehensive expense for the year	**(409)**	**(292)**

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency 31 December 2013, consistent with that at 31 December 2012. The Parent Entity is able to call on the resources of the Vita Life Sciences Group as required, and as such the financial statements of the Parent Entity are prepared on a Going Concern basis.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

23 Financial risk management objectives and policies

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

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

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

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

Risk exposures and responses

Interest rate risk

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

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

	2013 $'000	2012 $'000
Financial assets		
Cash at bank and in hand	6,280	3,922
Short term deposit	2,693	1,095
	8,973	5,017

The Group has no financial liabilities exposed to variable interest rate risk as at balance date.

At 31 December 2013, if interest rate had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)	
	2013 $'000	2012 $'000
+ 1.00% (100 basis points)	37	27
- 0.50% (50 basis points)	(18)	(14)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

23 Financial risk management objectives and policies (continued)

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

	2013 $'000	2012 $'000
Financial assets		
Cash at bank and in hand (a)	6,280	3,922
Short term deposit (a)	2,693	1,095
Trade and other receivables (b)	4,866	4,481
	13,839	9,498

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

23 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

At 31 December 2013, the Group had the following exposure to foreign currency:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents		
- Singapore Dollar (SGD)	1,651	468
- Malaysia Ringgit (RM)	3,110	1,422
- Hong Kong Dollar (HKD)	40	242
- Chinese Yuan Renminbi (RMB)	107	135
- Vietnamese Dong (VND)	113	58
- Thai Baht	535	373
Trade and other receivables		
- Singapore Dollar (SGD)	522	437
- Malaysia Ringgit (RM)	1,944	1,478
- Hong Kong Dollar (HKD)	58	12
- Vietnamese Dong (VND)	760	294
- Thai Baht	305	287
	9,145	**5,206**
Financial liabilities		
Trade and other payables		
- Singapore Dollar (SGD)	51	759
- Malaysia Ringgit (RM)	1,268	961
- Hong Kong Dollar (HKD)	4	169
- Chinese Yuan Renminbi (RMB)	-	3
- Indonesian Rupiah (Rp)	1	1
- Vietnamese Dong (VND)	34	5
- Thai Baht	22	19
	1,380	**1,917**
Net exposure	**7,765**	**3,289**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

23 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

At 31 December 2013, had the Australian Dollar moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)		Equity Higher/ (Lower)	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
AUD/ SGD + 10.0%	219	(83)	375	(291)
AUD/ SGD - 5.0%	(109)	48	(188)	168
AUD/ RM + 10.0%	67	(62)	413	(355)
AUD/ RM - 5.0%	(48)	41	(214)	210
AUD/ HK + 10.0%	(34)	31	(25)	29
AUD/ HK - 5.0%	17	(18)	12	(17)
AUD/ RMB + 10.0%	(15)	7	161	(40)
AUD/ RMB - 5.0%	8	(4)	(80)	23
AUD/ THB + 10.0%	2	2	-	2
AUD/ THB - 5.0%	(1)	(1)	-	(1)
AUD/ VND + 10.0%	8	7	8	7
AUD/ VND - 5.0%	(4)	(4)	(4)	(4)

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

23 Financial risk management objectives and policies (continued)

Liquidity risk (Continued)
At 31 December 2013, the Group has available approximately $0.75 million (2012 $0.70 million) of unused credit facilities available for immediate use.

	Weighted average interest rate	Interest Free	Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2013						
Financial Assets						
Cash assets	2.88%	-	6,280	2,693	-	8,973
Trade and other receivables	n/a	4,866	-	-	-	4,866
		4,866	6,280	2,693	-	13,839
Financial Liabilities						
Trade and other payables	n/a	4,405	-	-	-	4,405
		4,405	-	-	-	4,405
2012						
Financial Assets						
Cash assets	3.11%	-	3,922	1,095	-	5,017
Trade and other receivables	n/a	4,481	-	-	-	4,481
		4,481	3,922	1,095	-	9,498
Financial Liabilities						
Trade and other payables	n/a	4,591	-	-	-	4,591
		4,591	-	-	-	4,591

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

24 Share based payment plans

(a) Recognised share based payment expenses

	2013 $'000	2012 $'000
Expense arising from equity-settled share based payment transactions	-	200
	-	**200**

The share-based payment plans are described below.

(b) Types of share based payment plans

(i) Shares

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

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

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

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

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

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

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

(ii) Plan Shares issued in 2011

At the Company's 2010 Annual General Meeting, shareholders granted approval for limited recourse loans to the Managing Director of the Group, a director of a subsidiary of the Group and key executives. On 31 March 2011, 2,500,000, 325,000 and 1,540,000 Plan Shares were issued to the Managing Director, the director of a subsidiary and the key executives respectively. The Managing Director exercised 1,000,000 of these shares on 20 March 2012. The director of a subsidiary exercised 130,000 of these on 27 March 2012. Various key executives exercised 80,000, 162,500 and 162,500 of these shares on 1 March 2012, 29 May 2012 and 25 June 2012. The remaining 1,135,000 shares issued to key executives failed to meet performance hurdles and were cancelled, leaving a balance of 1,695,000 shares outstanding as at 31 December 2012.

Of the remaining 1,695,000 shares outstanding as at 1 January 2013, the Managing Director exercised 1,500,000 on 27 June 2013 and the director of the subsidiary exercised 195,000 shares on 20 June 2013.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

24 Share based payment plans (continued)

(b) Types of share based payment plans (continued)

(iii) Plan Shares

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

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

	2013 No.	2012 No.	2013 WAEP	2012 WAEP
Outstanding at the beginning of the year	1,695,000	4,745,000	0.24	0.23
Granted during the year	-	325,000	-	0.20
Exercised during the year - b(ii)	(1,695,000)	(2,240,000)	0.24	0.21
Expired during the year	-	(1,135,000)	-	0.21
Outstanding at the end of the year	**-**	**1,695,000**	**0.24**	**0.24**

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

There were no Plan Shares outstanding as at 31 December 2013, and no Plan Shares were granted during the year.

The weighted average share price at the date Plan Shares were exercised during the year was $1.01 (2012: $0.35).

(vii) Implied option pricing

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

	Plan Shares issued in 2011
Exercise price per implied option	**$ 0.24**
Dividend yield	-
Expected annual volatility	30.00%
Risk-free interest rate (p.a.)	5.00%
Expected life of implied option (Years)	1.25 - 2.25 years
Fair value per implied option	$0.07 - $0.10
Exercise price per implied option	$0.24
Share price at grant date	$0.28
Model used	Black Scholes

In respect of the implied options arising from the Shares granted in 2011, the expected volatility was determined using historic data over a 24 month period from December 2009 to December 2011.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

25 Commitments

Operating lease commitments – Group as lessee

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

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

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

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

	2013 $'000	2012 $'000
Within one year	343	203
After one year but not more than five years	418	96
	761	**299**

The Group paid $399,000 (2012: $302,000) for rental payments on operating leases during the financial year.

26 Net tangible assets per share

	2013 $	2012 $
Net assets per share	0.29	0.20
Net tangible assets per share	0.29	0.20
	Number	**Number**
Number of ordinary shares for net assets per share	56,250,650	56,474,638

27 Subsequent events after balance sheet date

Final Dividend

On 17 February 2014, the Directors declared a final unfranked dividend of 2.0 cents per share in respect of the financial year ended 31 December 2013, payable on 28 March 2014.

Long Term Incentive Plan share issue

On 22 January 2014, Directors authorised the issue of 645,000 Long Term Incentive Plan shares to two Directors of subsidiaries of the Group and one key executive.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, financial position of the Group or the state of affairs of the Group in future financial periods.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2013

28 Auditors remuneration

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

	2013 $'000	2012 $'000
Amount receivable or due and receivable by Russell Bedford NSW for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	91	90
Other services in relation to the entity and any other entity in the consolidated group		
- tax compliance services	16	15
- share registry	34	33
	141	**138**
Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:		
- audit or review of the financial report	64	57
	205	**195**

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 25 to 72 are in accordance with the *Corporations Act 2001* and:

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

   (b) Give a true and fair view of the financial position as at 31 December 2013 and of the performance for the year ended on that date of the Company and consolidated group;

2. The Chief Executive Officer and Group Financial Controller have each declared that:

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

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

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

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

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

Eddie L S Tie
Managing Director
29 March 2014

Independent Audit Report

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF VITA LIFE SCIENCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vita Life Sciences Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10 to 14 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

RUSSELL BEDFORD NSW

Chartered Accountants

STEPHEN FISHER
Partner

29 March 2014

ASX Additional Information

The following information is current as at 28 February 2014

A. SUBSTANTIAL SHAREHOLDERS

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

Shareholder	**No of ordinary shares held**	**Percentage held of issued ordinary capital**
Chemical Trustee Limited	8,551,439	15.0%
Barings Acceptance Limited	7,371,832	13.0%
Lloyds & Casanove Investment Partners Limited	6,276,040	11.0%
Mr Eddie L S Tie	4,830,500	8.5%
RBC Investor Services Nominees Pty Ltd	2,962,174	5.2%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 28 February 2014:

Category	**Ordinary shareholders**
1 - 1,000	93
1,001 - 5,000	377
5,001 - 10,000	186
10,001 - 100,000	227
100,001 and over	37
	920

(ii) There were 27 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information (continued)

C. EQUITY SECURITY HOLDERS

	Ordinary shares	
Twenty largest quoted equity security holders	**Number held**	**Percentage of shares issued**
Chemical Trustee Limited	8,551,439	15.0%
Barings Acceptance Limited	7,371,832	13.0%
Lloyds & Casanove Investment Partners Limited	6,276,040	11.0%
Mr Eddie L S Tie	4,830,500	8.5%
RBC Investor Services Nominees Pty Ltd	2,962,174	5.2%
Stinoc Pty Limited	2,734,369	4.8%
Aust Executor Trustees Ltd	1,801,772	3.2%
UBS Nominees Pty Ltd	1,589,860	2.8%
Normandy Nominees Limited	1,578,826	2.8%
Normandy Finance & Investments Asia Limited	1,527,633	2.7%
Osborne and Chappel International Limited	1,368,688	2.4%
South Seas Holdings Pty Ltd	1,345,430	2.4%
Mr Andrew Tan Teik Wei	1,154,776	2.0%
Ms Suat Ling Koay	635,517	1.1%
Mr Edmund Ee Sim	487,500	0.9%
Sycamoor Pty Ltd	485,611	0.9%
Citicorp Nominees Pty Limited	424,405	0.7%
Mr Bartlomiej Stepien	401,145	0.7%
Tom Hale Pty Ltd	365,947	0.6%
B F A Pty Ltd	297,051	0.5%

D. VOTING RIGHTS

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

Corporate Directory

Board of Directors

Eddie L S Tie
Chairman and Managing Director

Vanda Gould
Non-Executive Director

Jonathan Tooth
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
Matthew Beckett

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Melbourne VIC 3004
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F: 61(03) 9820 5957

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

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

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

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

Banker
Westpac Banking Corporation

National Australia Bank Limited

Solicitor
Steven Kunstler

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

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

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

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

www.vitalifesciences.com.au

Vita Life Sciences Limited Annual Report 2013

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ABN 35 003 190 421

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