

Vita Life Sciences Limited Annual Report 2014



Vita Life Sciences Limited
ABN 35 003 190 421

Vita Life Sciences Limited



VLS



Contents

| | |
|---|-----------|
| Who is Vita Life Sciences? | 2 |
| Chairman's Letter | 3 |
| Managing Director's Review | 4 |
| Directors' Report | 7 |
| Auditors Independence Declaration | 19 |
| Corporate Governance Statement | 20 |
| Consolidated Statement of Comprehensive Income | 29 |
| Consolidated Statement of Financial Position | 30 |
| Consolidated Statement of Cash Flows | 31 |
| Consolidated Statement of Changes in Equity | 32 |
| Notes to the Financial Statements | 34 |
| Directors' Declaration | 80 |
| Independent Audit Report | 81 |
| ASX Additional Information | 84 |
| Corporate Directory | 86 |



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 throughout the Asia-Pacific region, “VitaHealth” and “Herbs of Gold”.

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.

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 800 registered products throughout Australia and Asia. Vita Life’s strategy is to establish a sustainable platform for revenue growth through expanding operations into new 50 million plus population markets in Asia.

Our People

Besides a strong and experienced management team, the talent of Vita Life’s people is regarded as the determining factor in the success of the Company. 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 departments in the interests of Vita Life as a global company and Vita Life attributes its achievement and success to their dedication.



Chairman's Letter

Dear Shareholder,

I am very pleased to be able to write to you in a year which marks a fifth consecutive year of profitable growth.

Mr Tie and his management team must be commended for executing the Board's strategy of South-East Asian expansion while continuing to deliver sales and profit growth and maintaining a strong balance sheet for any future opportunities that may arise. This year will see the opening of our impressive new premises in Kuala Lumpur which we recently purchased.

The Group's performance and strong financial position has enabled the Board to declare a final unfranked dividend of 2.0 cents per share, bringing the full 2014 financial year dividend payout to 3.5 cents per share. Underpinning our ability to continue to return cash to shareholders is the very high earnings to cash conversion ratio our business enjoys. As a result of the continued strong performance of our Company we were able to return \$2.6m to shareholders through the combination of dividends and our ongoing share buyback programme.

The 2014 year marked an exciting development in the Group's history with the first CEO employed to run just the Australian operations. This decision was driven by two factors. Firstly, the Herbs of Gold business has grown to a size that warrants such a position. The second consideration is Mr Tie's need to dedicate more time for the expansion and consolidation of new businesses across South-East Asia. This focus is essential for our rapid growth to continue.

On behalf of the Board I would like to welcome Mr Andrew O'Keefe, who joined VLS in October 2014. He brings a wealth of experience and we look forward to seeing how he will contribute to both Herbs of Gold as well as the Group as a whole.

Our strategy remains to build a sustainable multi-country business. The substantial premises in Kuala Lumpur, new developments in Indonesia and new strategies for enhancing the growth of our long-term markets in places such as Australia and Singapore give a sound basis for the confidence we have in VLS.

The Board is encouraged by the continued growth of VLS. We are very grateful for Mr Tie's continued energy and enthusiasm for building the business. I look forward to updating you on our progress as we share the journey forward.

A handwritten signature in black ink, appearing to read 'Vanda Gould', with a large, sweeping flourish at the end.

Vanda Gould

Chairman
26 March 2015



Managing Director's Review

Dear Shareholder,

Vita Life Sciences Limited and its subsidiaries ("the Group") recorded sales revenue of \$36.6 million for the financial year, an increase of 3.3% against the 2013 result. The EBIT margin increased from 15.6% in 2014 to 18.8% resulting in an EBIT of \$6.9 million, a 24.9% increase over that recorded in 2013.

On the basis of this strong result, Directors have declared a final dividend of 2.0 cents per share (unfranked) for the 2014 financial year, a total of 3.5 cents per share for the 2014 financial year.

Other key financial results were:

- 5th consecutive year of sales and EBIT growth culminated in EBIT of \$6.9m, 24.9% growth over 2013
- Strong cash flow continues to be a strength of the business, with gross operating cashflow greater than 100% of EBITDA
- Continued prudent financial management, with the Company maintaining a net cash balance sheet, while:
 - returning \$2.6m to shareholders through the share buyback and dividend payments; and
 - acquiring & developing the Malaysian central facility.

An overview of the key markets follows.

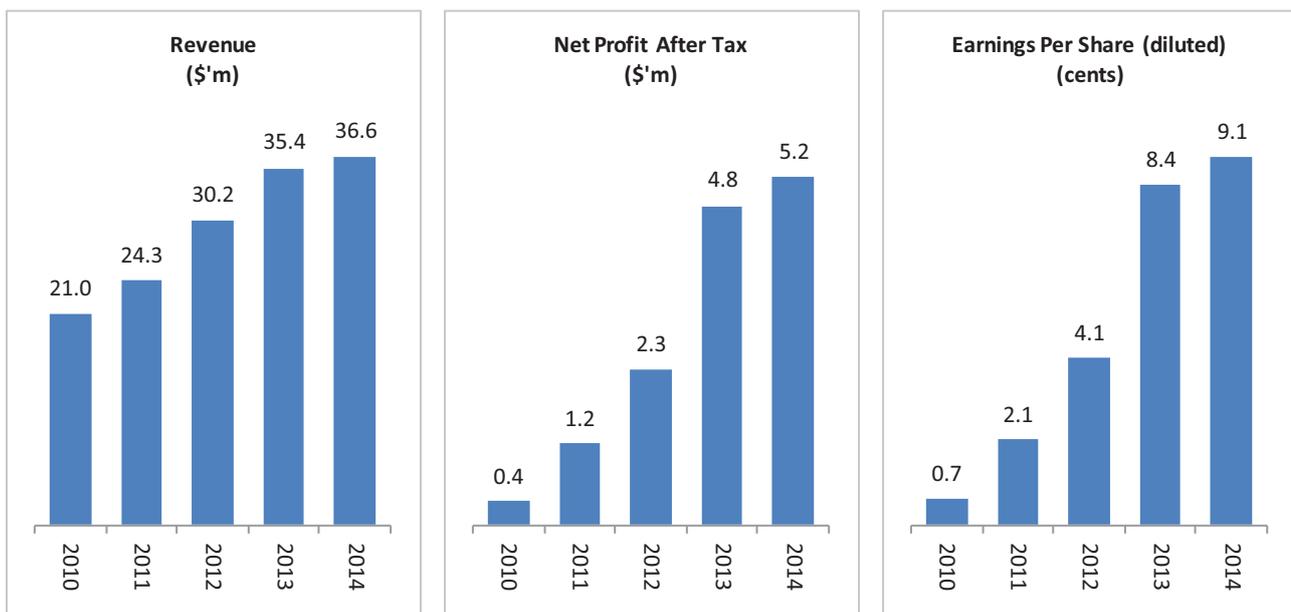
Australia

Management's proven strategy delivered a 22.3% increase in EBIT to \$3.1m

Management's strategy in Australia is to maintain its point of differentiation in the Australian healthcare OTC market by continuing to exclusively distribute unique premium ingredient product formulations through independent retailers. Management believes that this policy positions the Company for long term growth and sustainability in a mature and competitive market.

In recognition of the Group's established position within the Australian market, Mr Andrew O'Keefe was appointed CEO of Australia in late 2014. This appointment represents the first dedicated CEO assigned to the Group's Australian operations, and is seen as a key step in positioning Vita Life Sciences for the next stage of its lifecycle and growth within Australia.

Vita Life Key Financial Performance Data



Note: Performance figures in the charts above are adjusted to exclude non-recurring items. Readers should note in particular the recognition of deferred tax assets resulting in a \$2.1m impact on net profit which has been excluded from the 2014 columns

Managing Director's Review (continued)

Malaysia

The performance of the Malaysian OTC business was particularly pleasing in 2014. Strong momentum in 'Vita Health', considered one of Malaysia's leading OTC health supplement brands, resulted in sales and EBIT increasing 12.9% to \$11.7m and 20.1% to \$2.6m respectively against that reported in 2013.

Singapore

A strong second half of sales in Singapore offset a depressed first half, leading to full year sales of \$5.7m, consistent with 2013. As a result of management strategy, a favourable shift in the sales mix saw EBIT increase by 12.3% over 2013 to \$2.2m. Continued momentum from the strong second half together with the introduction of the 'Herbs of Gold' brand to the Singapore market is expected to drive Singaporean sales growth in 2015.

The Revenue Authority of Singapore confirmed the Group's access to SD\$18.9m of historic tax losses held within a 100% subsidiary of the Group.

Expansion Markets

Revenue in the Group's expanding markets, namely China, Malaysia – Multi Level Marketing, Thailand, Vietnam and Indonesia, grew to \$5.5m in 2014, a 6.1% increase over 2013. Sales growth in China and Vietnam was partially offset by a contraction in Thailand.

Preparation for the commencement of sales in Indonesia continued, with the completion of key product registrations.

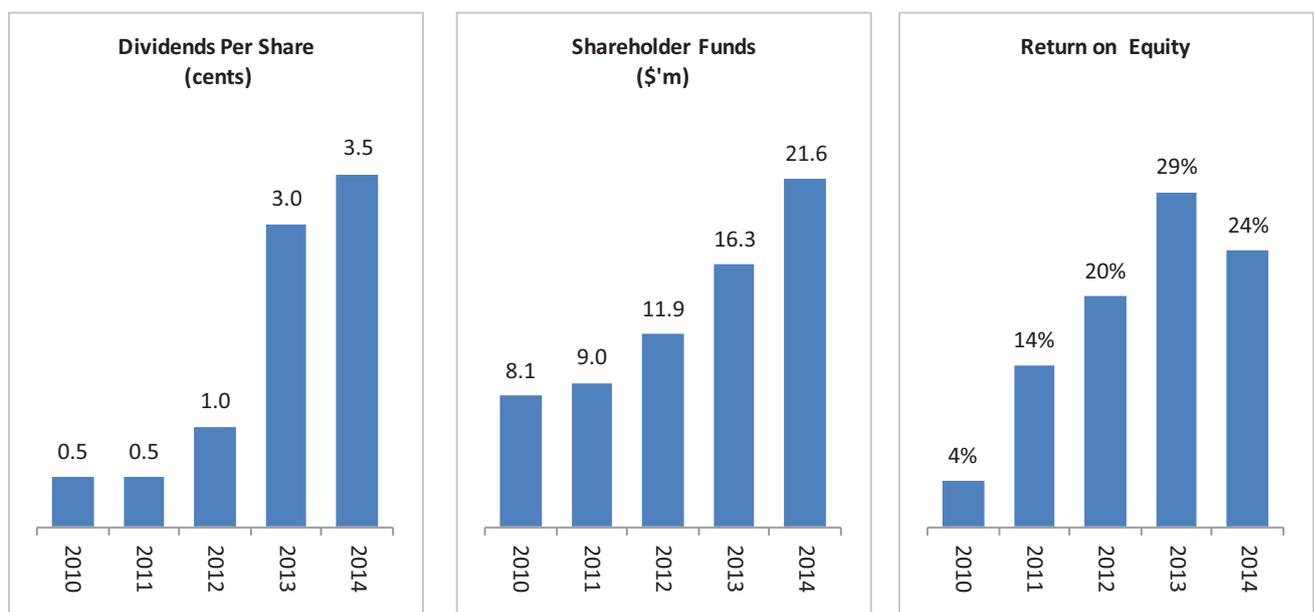
Operations

The Malaysian central premises in Kuala Lumpur was acquired during 2014. Once fully operational, this facility will form a key strategic component in increasing the Group's operational capabilities as it will incorporate:

- An on-site packing plant increasing customer service;
- An on-site laboratory, positioning the Group to meet more stringent product efficacy pharmaceutical regulations associated with the inception of the ASEAN free trade agreement;
- A state of the art training centre providing an education focal point for staff and customers; and
- Technologically and aesthetically improved work and meeting spaces

Further, the forecast opening of the facility in Q4 2015 is expected to provide significant back office synergies for the Group in the short to medium term. More tangible benefits will arise as the warehouse/packing facility and laboratory come online during 2016.

Vita Life Key Financial Data



Note: Performance figures in the charts above are adjusted to exclude non-recurring items. Readers should note in particular the recognition of deferred tax assets resulting in a \$2.1m impact on net profit which has been excluded from the 2014 columns

Managing Director's Review (continued)

Strategic Initiatives in 2015

The Board is actively seeking to expand senior management within its established markets to enable Mr Tie to focus his expertise on bringing other markets to a critical mass. The first appointment was made late in 2014, with Andrew O'Keefe commencing as the CEO of Australia.

Strategies to capitalise on the established Asia-Pacific platform continue to be explored. Two key mature market growth initiatives which will continue during 2015:

- Build out of the pharmacy brand 'Vita Sciences' through independent pharmacies in Australia
- Introduction of the Australian health store brand 'Herbs of Gold' to the Singaporean market

Further options are being examined to continue to build presence and visibility throughout all markets.

Outlook for 2015

The implementation of market tailored strategies is forecast to return sales growth to a 3 year trendline of 8 - 10% per annum.

Accordingly, Directors forecast 2015 sales circa \$40m with margins similar to those achieved in 2014



Eddie Tie

Managing Director
26 March 2015



Directors' Report

Your Directors submit their report for the year ended 31 December 2014.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

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

Mr Gould has served on the Board since 1997, and became Chairman of the Group in 1999 until October 2013. Following a brief absence, Mr Gould was reappointed as Chairman in May 2014. He is also serves as Chairman of the Audit and Risk, Board Nominations, and Remuneration Committees.

Mr Gould has practised as a Chartered Accountant for over 30 years and he has extensive depth of business experience. 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 Cyclopharm Limited which is listed on the Australian Securities Exchange ("ASX").

Mr Gould lives in Sydney and is 67 years old.

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

Mr Tie has over 25 years of experience in hotel and property development, manufacturing and education sectors, including holding key leadership positions as Managing Director and Chief Executive Officer. 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 acted as Chairman from October 2013 to May 2014, when Mr Gould resumed the role. Mr Tie continues to serve as the Group's Managing Director.

Mr Tie was appointed to his current role as Managing Director of Vita Healthcare Asia Pacific Sdn Bhd and Vita Life Sciences Limited on 18 January 2005 and 1 January 2007 respectively.

Mr Tie lives in Kuala Lumpur, Malaysia and is 57 years old.

Mr Jonathan J Tooth
Non-Executive Director
B.Ec

Mr Tooth has spent over 20 years 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 is currently a Director of ASX listed company, Austock Group Limited (since May 2012).

Mr Tooth lives in Melbourne and is 58 years old.

Mr Henry G Townsing
Non-Executive Director
Dip Val

Mr Townsing brings over 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 currently a Director of ASX listed Cyclopharm Limited (since September 2013).

Mr Townsing lives in Melbourne and is 59 years old.



Directors' Report (Continued)

Mr Matthew Beckett
Company Secretary
B Com, CA

Mr Beckett is a Chartered Accountant and Company Secretary with over 10 years experience in corporate finance, property development, insurance and consumer credit sectors.

Mr Beckett lives in Melbourne and is 32 years old.

Interests in the shares of the company and related bodies corporate

The following table sets out each Director's relevant interest in shares of the Company as at the date of this report.

| Director | At 1 January 2014 | Purchases | LTIP Shares: Allotted / (Cancelled) ¹ | Disposal | At 31 December 2014 ³ |
|--|-------------------|-----------|--|-----------|----------------------------------|
| Directors | | | | | |
| Mr Eddie L S Tie - beneficial | 4,830,500 | - | - | (500,000) | 4,330,500 |
| - non beneficial | 30,000 | - | - | - | 30,000 |
| Mr Vanda R Gould - non beneficial ² | 1,603,713 | - | - | - | 1,603,713 |
| Mr Henry G Townsing - non beneficial | 479,999 | 13,000 | - | - | 492,999 |
| Mr Jonathan J Tooth - non beneficial | 226,157 | - | - | - | 226,157 |

(1) Refer to note 24 to the financial statements for details of Long Term Incentives

(2) The interests of Mr Vanda Gould are reported on the basis of disclosures made by Mr Gould and also relevant shareholders. The Company notes the Federal Court decision in *Hua Wang Bank Berhad v Commissioner of Taxation* [2014] FCA 1392 handed down on 19 December 2014. It contained findings in relation to whether certain legal entities were controlled by or associated with Mr Vanda Gould which are inconsistent with the disclosures made by Mr Gould and other relevant shareholders. Mr Gould has rejected the Court's findings and has confirmed that his disclosures of his interests are accurate. Mr Gould did not give evidence in the case. The decision is under appeal. If the trial judge's key findings are upheld on appeal, it may impact on the Company's assessment of which entities are related parties or associates of related parties (such as Mr Gould) and the shares in the Company in which they have a relevant interest.

(3) There have been no changes to the Directors interest in shares of the Company subsequent to 31 December 2014 to the date of this report

DIVIDENDS

On 19 February 2015, the Directors declared a final unfranked dividend of 2.0 cents per share totalling \$1,129,000 in respect of the financial year ended 31 December 2014 (2013: unfranked dividend of 2.0 cents per share totalling \$1,125,000), payable on 26 March 2015. An unfranked interim dividend of 1.5 cents per share was paid on 25 September 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the financial year consisted of formulating, packaging, sales and distribution of vitamins and supplements.

Directors' Report (Continued)

REVIEW OF OPERATIONS

Sales grew by 3.3% 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 3.3% from that in 2013
- EBIT margin increased to 18.8% from 15.6%
- NPAT and EPS continued to increase
- Full year dividend payout increased to 3.5 cents per share
- Asian sales account for more than 60.0% of Group revenue

Financial Position

Financial discipline across the Group has allowed the Group to maintain a net cash balance sheet position while returning \$2.6m to shareholders through dividends and the share buyback and procuring the key strategic investment of the Malaysian central facility.

With a cash balance of \$9.2m, 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 22 May 2014, 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 2014, the Company bought back 429,461 shares for total consideration of \$665,161, excluding costs of \$6,652.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends

On 19 February 2015, the Directors declared a final unfranked dividend of 2.0 cents per share totalling \$1,129,000 in respect of the financial year ended 31 December 2014 (2013: unfranked dividend of 2.0 cents per share totalling \$1,125,000), payable on 26 March 2015

Long Term Incentive Plan share issue and cancellation

Subsequent to the end of the financial year, 200,000 Long Term Incentive Plan shares were issued to one key executive and 80,000 Long Term Incentive Plan shares issued to a key executive during 2014 were cancelled as a result of performance hurdles not being reached.

FUTURE DEVELOPMENTS

Disclosure of additional information not already disclosed in the Annual Report of Vita Life Sciences Ltd for the year ended 31 December 2014 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 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 (2013: \$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 | 10 | 10 | 3 | 3 | 1 | 1 | 1 | 1 |
| Mr Eddie L S Tie | 10 | 10 | * | * | * | * | * | * |
| Mr Henry G Townsing | 10 | 10 | * | * | 1 | 1 | 1 | 1 |
| Mr Jonathan J Tooth | 10 | 9 | 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 | 15 |
| Share registry services | 35 |
| | 50 |

ROUNDING OFF

In accordance with Australian Securities and Investments Commission (ASIC) Class Order 98/100, dated 10 July 1998, the amounts in the financial report and Directors' report are been rounded off to the nearest thousand dollars, unless otherwise indicated.

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 and the remuneration disclosures required in accordance with the requirements of the *Corporations Act 2001* and its Regulations. 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 Townsing during the financial year.

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 \$72,500. 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 2014 and at the date of this report the Company had allocated 765,000 plan shares equivalent to 1.4% 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 \$159,996 at the prevailing exchange rates for the year ended 31 December 2014. 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.

Business Intelligence & Support Inc (BISI), a company in which Mr Eddie L S Tie is a director, and therefore a related party, provides international business advisory, sales, marketing and promotional services to the Group and therefore receives consultancy fees from the Group.

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.

Related Parties

The Directors disclose any conflict of interest in Directors' meetings as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per AASB 124 'Related Party Disclosures' are made in the Directors' meetings and minuted.

Remuneration of Key Management Personnel (Audited)

Table 1: Remuneration for the year ended 31 December 2014

| | Short term employee benefits | | | Long term employee benefits | Post employment benefits | | Performance rated |
|---|------------------------------|----------------|----------------------|-----------------------------|--------------------------|------------------|-------------------|
| | Salary & Fees | Bonus | Share based payments | | Superannuation | Total | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2014 | | | | | | | |
| Directors | | | | | | | |
| Mr Vanda R Gould Non-Executive Chairman | 26,500 | - | - | - | - | 26,500 | n/a |
| Mr Eddie L S Tie Managing Director | | | | | | | |
| <i>Mr Tie's remuneration is comprised of:</i> | | | | | | | |
| - Employment contract | 134,274 | - | - | - | 25,722 | 159,996 | 0% |
| - Related party services (1) | 374,488 | - | - | - | - | 374,488 | n/a |
| Mr Henry G Townsing Non-Executive Director | | | | | | | |
| <i>Mr Townsing's remuneration is comprised of:</i> | | | | | | | |
| - Related party services (2) | 23,000 | - | - | - | - | 23,000 | n/a |
| Mr Jonathan J Tooth Non-Executive Director | 23,000 | - | - | - | - | 23,000 | n/a |
| Total Directors Compensation (3) | 581,262 | - | - | - | 25,722 | 606,984 | 0% |
| Key Management Personnel | | | | | | | |
| Edmund E M Sim Senior General Manager - Asian Business and Regulatory Affairs | 233,214 | 105,489 | 137,692 | - | 14,882 | 491,277 | 49% |
| Tanakorn Chalermjiripas General Manager - Thailand | 80,713 | 10,257 | 27,200 | - | - | 118,170 | 32% |
| Dr Koay Suat Ling (4) General Manager - Business and Product Development | 86,261 | - | - | - | 10,561 | 96,822 | 0% |
| Andrew O'Keefe (5) CEO - Australia | 32,917 | - | - | - | 3,127 | 36,044 | 0% |
| Total Key Management Compensation | 433,105 | 115,746 | 164,892 | - | 28,570 | 742,313 | 38% |
| Grand total | 1,014,367 | 115,746 | 164,892 | - | 54,292 | 1,349,297 | 21% |

(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) Dr Koay was appointed General Manager – Business & Product Development on 1 January 2014

(5) Mr O'Keefe was appointed CEO – Australia on 29 October 2014

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Table 2: Remuneration for the year ended 31 December 2013

| | Short term employee benefits | | | Long term employee benefits | Post employment benefits | Total | Performance rated |
|---|------------------------------|---------------|----------------------|-----------------------------|--------------------------|------------------|-------------------|
| | Salary & Fees | Bonus | Share based payments | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| 2013 | | | | | | | |
| Directors | | | | | | | |
| Mr Eddie L S Tie Managing Director & Chairman | | | | | | | |
| <i>Mr Tie's remuneration is comprised of:</i> | | | | | | | |
| - Employment contract | 130,607 | - | - | - | 25,020 | 155,627 | 0% |
| - Related party services (1) | 428,760 | - | - | - | - | 428,760 | n/a |
| Mr Vanda R Gould Non-Executive Director | 30,000 | - | - | - | - | 30,000 | n/a |
| Mr Henry G Townsing (2) Non-Executive Director | | | | | | | |
| <i>Mr Townsing's remuneration is comprised of:</i> | | | | | | | |
| - Related party services (2) | 15,000 | - | - | - | - | 15,000 | n/a |
| Mr Jonathan J Tooth Non-Executive Director | 15,000 | - | - | - | - | 15,000 | n/a |
| Total Directors Compensation (3) | 619,367 | - | - | - | 25,020 | 644,387 | 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 | 946,500 | 58,070 | - | - | 36,262 | 1,040,831 | 6% |

(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)

Equity holdings and transactions

The number of ordinary shares in the Company held by each specified director or specified executive, including their personally-related entities, during the 2014 and 2013 financial years are as follows:

| | At 1 January 2014 | Purchases | LTIP Shares: Allotted / (Cancelled) ¹ | Disposal | At 31 December 2014 ³ |
|--|----------------------|-----------|--|----------|--|
|--|----------------------|-----------|--|----------|--|

Directors

| | | | | | |
|--|-----------|--------|---|-----------|-----------|
| Mr Eddie L S Tie - beneficial | 4,830,500 | - | - | (500,000) | 4,330,500 |
| - non beneficial | 30,000 | - | - | - | 30,000 |
| Mr Vanda R Gould - non beneficial ² | 1,603,713 | - | - | - | 1,603,713 |
| Mr Henry G Townsing - non beneficial | 479,999 | 13,000 | - | - | 492,999 |
| Mr Jonathan J Tooth - non beneficial | 226,157 | - | - | - | 226,157 |

Key Management Personnel

| | | | | | |
|---|---------|---|---------|-----------|---------|
| Mr Edmund E M Sim - beneficial | 162,500 | - | 325,000 | (53,690) | 433,810 |
| Mr Tanakorn Chalermjiripas - beneficial | - | - | 160,000 | - | 160,000 |
| Dr Koay Suat Ling - beneficial | 635,517 | - | - | (600,000) | 35,517 |

| | At 1 January 2013 | Purchases | LTIP Shares: Allotted / (Cancelled) ¹ | Disposal | At 31 December 2013 |
|--|----------------------|-----------|--|----------|---------------------------|
|--|----------------------|-----------|--|----------|---------------------------|

Directors

| | | | | | |
|--|-----------|---------|---|-------------|-----------|
| 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 ² | 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 |

Key Management Personnel

| | | | | | |
|------------------------------|---------|---|---|---|---------|
| Mr Edmund E M Sim | 162,500 | - | - | - | 162,500 |
| Mr Geoffrey Pak ⁴ | 100,000 | - | - | - | 100,000 |

- (1) Refer to note 24 to the financial statements for details of Long Term Incentives
- (2) The interests of Mr Vanda Gould are reported on the basis of disclosures made by Mr Gould and also relevant shareholders. The Company notes the Federal Court decision in Hua Wang Bank Berhad v Commissioner of Taxation [2014] FCA 1392 handed down on 19 December 2014. It contained findings in relation to whether certain legal entities were controlled by or associated with Mr Vanda Gould which are inconsistent with the disclosures made by Mr Gould and other relevant shareholders. Mr Gould has rejected the Court's findings and has confirmed that his disclosures of his interests are accurate. Mr Gould did not give evidence in the case. The decision is under appeal. If the trial judge's key findings are upheld on appeal, it may impact on the Company's assessment of which entities are related parties or associates of related parties (such as Mr Gould) and the shares in the Company in which they have a relevant interest.
- (3) 80,000 of Mr Chalermjiripas' Long Term Incentive Plan Shares have been cancelled subsequent to 31 December 2014, as the 2014 financial year performance hurdle was not met. There have been no other changes to the Directors or Key Management Person's interests in shares of the Company subsequent to 31 December 2014 to the date of this report
- (4) The final shareholding disclosed for Mr Pak is at the date of his resignation (30 April 2013)
- (5) Any Directors or Key Executive Personnel as disclosed in the remuneration tables at pages 15 or 16 who are not explicitly referenced in the tables above did not hold any ordinary shares in the Company for the periods shown

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Long Term Incentive Plan Shares

The following table discloses the details of Long Term Incentive Plan Shares on issue to Directors and Key Management Personnel as at 31 December 2014.

| | Number of LTIP Shares on issue | Fair value at grant date | Exercise price per LTIP share | Amount Payable | Term | Expiry Date | Performance Hurdle |
|---|--------------------------------|--------------------------|-------------------------------|----------------|-----------|--------------|--|
| Key Management Personnel | | | | | | | |
| Mr Edmund E M Sim | 162,500 | \$0.76 | \$1.10 | \$178,750 | 1.5 Years | 30 June 2015 | PBT of Group's Asian operations for year ending 31 December 2014 exceeds RM9,000,000 |
| Mr Edmund E M Sim | 162,500 | \$0.85 | \$1.20 | \$195,000 | 2.5 years | 30 June 2016 | Cumulative PBT of Group's Asian operations for years ending 31 December 2014 and 31 December 2015 exceeds RM23,500,000 |
| Mr Tanakorn Chalermjiripas ¹ | 80,000 | \$0.76 | \$1.10 | \$88,000 | 1.5 Years | 30 June 2015 | PBT of Group's Thai operations for year ending 31 December 2014 exceeds THB5,000,000 |
| Mr Tanakorn Chalermjiripas | 80,000 | \$0.85 | \$1.20 | \$96,000 | 2.5 years | 30 June 2016 | Cumulative PBT of Group's Thai operations for years ending 31 December 2014 and 31 December 2015 exceeds THB12,000,000 |
| | 485,000 | | | \$557,750 | | | |

(1) 80,000 of Mr Chalermjiripas' Long Term Incentive Plan Shares have been cancelled subsequent to 31 December 2014, as the 2014 performance hurdle was not met.

Options granted to directors and senior management as compensation

No options or rights have been granted to Directors or Key Management Personnel during the financial year to the date of the signing this report.

Signed in accordance with a resolution of the Directors.



Eddie L S Tie
 Managing Director
 26 March 2015



Russell Bedford

New South Wales

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26 March 2015

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 2014, 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



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Corporate Governance Statement

The Directors of Vita Life Sciences Limited 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 28 of the ASX best practice recommendations as at 31 December 2014. 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 2014, 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, Mr Vanda Gould, satisfies the requirements for an Independent Chairman under ASX Recommendations 2.1 and 2.2 as Mr Gould is a non-executive who holds approximately 2.9% of the Shares (recommendations permit 5%).

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 and 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 Plan was refreshed at the 2014 Annual General Meeting held in Sydney on 22 May 2014. 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 2014 are as follows:

| | 2014 | 2013 |
|--------------------|------|------|
| Whole organisation | 90% | 90% |
| Senior Executives | 72% | 70% |
| 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 Recommendation 3.2, 3.3, 3.4

8 Checklist for summarising the best practice recommendations and compliance

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

Corporate Governance Statement (Continued)

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

| ASX Principle | Reference | Compliance |
|--|-----------|---------------|
| Principle 3: Promote ethical and responsible decision-making | | |
| 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: | 7a | Comply |
| 3.1.1 the practices necessary to maintain confidence in the company's integrity; | | |
| 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and | | |
| 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | | |
| 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurements objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. | 7b | Comply |
| 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | 7b | Comply |
| 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | 7b | Comply |
| 3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3. | 7a | Comply |
| Principle 4: Safeguard integrity in financial reporting | | |
| 4.1 The board should establish an audit committee. | 3a | Comply |
| 4.2 The audit committee should be structured so that it: | 3a | Do not comply |
| 4.2.1 consists only of non-executive directors; | | |
| 4.2.2 consists of a majority of independent directors; | | |
| 4.2.3 is chaired by an independent chair, who is not the chair of the board; and | | |
| 4.2.4 has at least three members | | |
| 4.3 The audit committee should have a formal charter. | 3a | Comply |
| 4.4 Provide the information in the Guide to reporting on this Principle 4. | 2a, 3a | Comply |
| Principle 5: Make timely and balanced disclosure | | |
| 5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies. | 6a | Comply |
| 5.2 Provide the information in the Guide to reporting on this Principle 5. | 6a | Comply |
| Principle 6: Respect the rights of shareholders | | |
| 6.1 Companies should design a communications policy for promoting effective communication with shareholders 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 |
| Principle 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 2014 | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| CONTINUING OPERATIONS | | | |
| Sale of goods | | 36,580 | 35,411 |
| Cost of sales | | (10,538) | (11,366) |
| Gross profit | | 26,042 | 24,045 |
| Other income | 5 (a) | 171 | 79 |
| Distribution expenses | | (2,982) | (2,886) |
| Marketing expenses | | (2,639) | (2,189) |
| Occupancy expenses | | (845) | (834) |
| Administrative expenses | 5 (b) | (12,650) | (12,378) |
| Other expenses | 5 (c) | (212) | (310) |
| Share of associate's loss | | (3) | (16) |
| Profit from continuing operations before interest and taxes | | 6,882 | 5,511 |
| Finance income | 5 (d) | 174 | 125 |
| Finance costs | 5 (e) | (131) | (120) |
| Profit before income tax | | 6,925 | 5,516 |
| Income tax benefit / (expense) | 7 | 359 | (770) |
| Net profit for the year | | 7,284 | 4,746 |
| 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 | | 415 | 876 |
| Other comprehensive income for the year, net of income tax | | 415 | 876 |
| Total comprehensive income for the year | | 7,699 | 5,622 |
| Profit/(Loss) attributable to non-controlling interest | | 4 | (2) |
| Profit attributable to members of the parent | | 7,280 | 4,748 |
| | | 7,284 | 4,746 |
| Total comprehensive income attributable to: | | | |
| Non-controlling interest | | 2 | 4 |
| Members of the parent | | 7,697 | 5,618 |
| | | 7,699 | 5,622 |
| Earnings per share (cents per share) | | | |
| - basic earnings per share | 6 | 12.98 | 8.53 |
| - diluted earnings per share | 6 | 12.84 | 8.42 |

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 2014 | Notes | 2014 \$'000 | 2013 \$'000 |
|---------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 9,158 | 8,973 |
| Trade and other receivables | 9 | 6,041 | 4,866 |
| Inventories | 10 | 5,012 | 6,110 |
| Other assets | 11 | 598 | 542 |
| Total Current Assets | | 20,809 | 20,491 |
| Non Current Assets | | | |
| Investment in associates | 12 | 1,044 | 1,022 |
| Property, plant and equipment | 13 | 6,910 | 286 |
| Intangible assets | 14 | 97 | 83 |
| Deferred tax assets | 7 | 1,411 | 127 |
| Total Non Current Assets | | 9,462 | 1,518 |
| Total Assets | | 30,271 | 22,009 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 15 | 4,312 | 4,405 |
| Interest bearing loans and borrowings | 16 | 260 | - |
| Current tax liability | | 439 | 533 |
| Provisions | 17 | 523 | 746 |
| Total Current Liabilities | | 5,534 | 5,684 |
| Non Current Liabilities | | | |
| Deferred Tax Liability | 7 | 9 | 9 |
| Interest bearing loans and borrowings | 16 | 3,094 | - |
| Provisions | 17 | 69 | 47 |
| Total Non Current Liabilities | | 3,172 | 56 |
| Total Liabilities | | 8,706 | 5,740 |
| Net Assets | | 21,565 | 16,269 |
| EQUITY | | | |
| Contributed equity | 18 | 45,429 | 46,100 |
| Accumulated losses | | (24,307) | (29,623) |
| Employee share based payments reserve | 19 | 704 | 472 |
| Foreign currency translation reserve | 19 | (357) | (770) |
| Parent entity interest | | 21,469 | 16,179 |
| Non-controlling interest | | 96 | 90 |
| Total Equity | | 21,565 | 16,269 |

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 2014 | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipt from customers | | 38,971 | 38,863 |
| Payments to suppliers and employees | | (31,951) | (33,536) |
| Income tax paid | | (1,019) | (564) |
| Interest received | | 174 | 125 |
| Borrowing costs | | (60) | (53) |
| Net cash flows provided by operating activities | 8 | 6,115 | 4,835 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (6,778) | (279) |
| Net cash flows used in investing activities | | (6,778) | (279) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from external borrowings | | 3,375 | - |
| Repayment of external borrowings | | (21) | - |
| Proceeds from issue of shares | | - | 407 |
| Dividends Paid | | (1,964) | (839) |
| Shares bought back (net of costs) | | (671) | (263) |
| Net cash flows provided by / (used in) financing activities | | 719 | (695) |
| Net increase in cash and cash equivalents | | 56 | 3,861 |
| Net foreign exchange differences | | 129 | 95 |
| Cash and cash equivalents at beginning of the year | | 8,973 | 5,017 |
| Cash and cash equivalents at end of the year | 8 | 9,158 | 8,973 |

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



Consolidated Statement of Changes in Equity

| Note | Contributed Equity \$'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 2014 | 46,100 | 472 | (29,623) | (770) | 16,179 | 90 | 16,269 |
| Comprehensive income | | | | | | | |
| Profit attributable to members of parent entity | - | - | 7,280 | - | 7,280 | 4 | 7,284 |
| Other comprehensive income for the year | - | - | - | 413 | 413 | 2 | 415 |
| Total comprehensive income for the year | - | - | 7,280 | 413 | 7,693 | 6 | 7,699 |
| Transactions with owners, in their capacity as owners | | | | | | | |
| Shares bought back | (671) | - | - | - | (671) | - | (671) |
| Employee share option scheme | - | 232 | - | - | 232 | - | 232 |
| Dividends paid | - | - | (1,964) | - | (1,964) | - | (1,964) |
| Total transactions with owners | (671) | 232 | (1,964) | - | (2,403) | - | (2,403) |
| Balance at 31 December 2014 | 45,429 | 704 | (24,307) | (357) | 21,469 | 96 | 21,565 |

18(d)

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

Consolidated Statement of Changes in Equity (Continued)

| Note | Contributed Equity \$'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 |
|--|---------------------------------|---|---------------------------------|---|--|--|-----------------|
| | 45,956 | 472 | (33,532) | (1,640) | 11,256 | 86 | 11,342 |
| Balance at 1 January 2013 | | | | | | | |
| 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 | - | - | (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 |

18(d)

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 2014

1 Corporate Information

The financial report of Vita Life Sciences Limited for the year ended 31 December 2014 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 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 International Financial Reporting Standards as issued by the International Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

(b) Statement of compliance

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries as at 31 December 2014. Interests in associates are equity accounted and are not part of the consolidated Group.

The Group considers an entity a subsidiary when the Group is exposed to or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by Vita Life Sciences Limited are accounted for at cost in the separate financial statements of the parent entity.

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

Minority interests represent the interests in Vita Life Sciences (Thailand) Co. Ltd and Vitahealth (Thailand) Co. Ltd not held by the Group. Minority interests are allocated their share of net profit or loss after tax in the statement of comprehensive income and are presented within Equity in the consolidated statement of financial position, separately from the parent shareholders’ equity.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus 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.

(e) Foreign currency translation

(i) Functional and presentation currency

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

The functional currency of the main operating overseas subsidiaries Vita Healthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are Malaysian Ringgit (RM), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd, Herbs of Gold (Singapore) Pte Ltd and Vita Corporation Pte Limited are Singapore Dollars (SGD), Herbs of Gold (Shanghai) Company Ltd is Chinese Renminbi, 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.

(f) Cash and cash equivalents

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(g) Trade and other receivables

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

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

(h) Inventory

Inventories including raw materials are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling costs. Costs incurred in bringing each product to its present location and condition 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.

(i) Property, plant and equipment

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

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

Depreciation

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

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

| | <u>Rate</u> | <u>Method</u> |
|------------------------|-------------|----------------------|
| Buildings | 2% | Straight-line method |
| Plant and equipment | 10-33% | Straight-line method |
| Leasehold Improvements | 20-50% | Straight-line method |
| Motor Vehicles | 20-50% | Straight-line method |

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

(j) Goodwill and Intangibles

Goodwill

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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

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

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

Intangibles

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

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

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

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

| | <u>Patents and licences</u> | <u>Development costs</u> |
|--|--|--|
| 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 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(k) 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 than those that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Trade and other payables

Trade payables and other payables are carried at amortised 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.

(m) Interest bearing loans and borrowings

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

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

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

Borrowing costs

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

(n) Provisions

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(o) Employee entitlements

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash 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.

(p) Issued capital

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

(q) Leases

Finance Leases

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

Operating Leases

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

(r) Revenue recognition

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

Sale of goods

Revenue is recognised (net of returns, discounts and allowances excluding 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(s) Investments in associates

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

The Group generally deems significant influence over an entity to exist if the Group has the power to participate in the financial and operating decisions of the entity but is not in control or joint control.

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.

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

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

(t) Income and other taxes

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

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

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

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

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(t) Income and other taxes (continued)

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

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

Tax consolidation

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

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

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

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

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

Other taxes

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

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

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

(u) Financial instruments

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(u) Financial Instruments (continued)

De-recognition of financial instruments

Financial assets

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

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

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

Financial liabilities

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

Impairment

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(w) Share-based payment transactions

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

(x) Comparative figures

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

(y) 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.

(z) 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 and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018, as further amended by Part E of AASB 2014-1).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-1: Amendments to Australian Accounting Standards

Part A of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:

- revises/adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: Share-based Payment;
- clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets;
- requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: Operating Segments; and
- includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: Related Party Disclosures.

This part also makes other editorial corrections to various Australian Accounting Standards; however, it is not expected to have a significant impact on the Group's financial statements.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

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

AASB 2014-1: Amendments to Australian Accounting Standards (continued)

Part B of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service. This part is not expected to have a significant impact on the Group's financial statements.

Part C of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and deletes the reference to AASB 1031: Materiality in particular Australian Accounting Standards. This part is not expected to have a significant impact on the Group's financial statements.

Part D of this Standard is applicable to annual reporting periods beginning on or after 1 January 2016 and makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14: Regulatory Deferral Accounts in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

Part E of this Standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 (December 2010) to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: Financial Instruments: Disclosures, and to AASB 132: Financial Instruments: Presentation to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Group's financial statements on adoption of this part of the Standard.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This Standard is applicable to annual reporting periods beginning on or after 1 January 2016. It amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisition of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Group's financial statements.

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

The Group has adopted the following new and revised Australian Accounting Standards from 1 January 2014 together with the consequential amendments to other standards. None of these have affected the Group's accounting policies or the amounts reported in the financial statements. A short description of the new and amending Standards that became applicable to the Group for the first time during the current reporting period are as follows:

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 (issued June 2012) amends the application guidance of AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off". The Standard also clarifies that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

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

Interpretation 21: Levies

Interpretation 21 (issued June 2013) 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.

Interpretation 21 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 (issued June 2012) amends the application guidance of AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off". The Standard also clarifies that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 (issued June 2013) amends the disclosure requirements in AASB 136: Impairment of Assets to require disclosure of:

- additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal; and
- the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.

AASB 2013-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-4 (issued July 2013) 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.

AASB 2013-4 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities

AASB 2013-5 (issued August 2013) amends AASB 10: Consolidated Financial Statements to define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3: Business Combinations when it obtains control of another entity. Where an investment entity does not consolidate a subsidiary, it is required to account for the unconsolidated subsidiary at fair value through profit or loss in accordance with AASB 139 (or AASB 9: Financial Instruments) in its consolidated and separate financial statements. AASB 2013-5 also includes new disclosure requirements for investment entities in AASB 12: Disclosure of Interests in Other Entities and AASB 127: Separate Financial Statements.

AASB 2013-5 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

2 Summary of Significant Accounting Policies (continued)

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

AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B)

Part B of this Standard (issued December 2013) deletes references to AASB 1031: Materiality in various Australian Accounting Standards and Interpretations. This is consistent with the Australian Accounting Standards Board (AASB) policy of not providing unnecessary local guidance in matters covered by International Financial Reporting Standards (IFRSs). Once all references to AASB 1031 have been deleted from all Australian Accounting Standards and Interpretations (which will be facilitated by way of future Amending Standards), AASB 1031 will be withdrawn. In the interim, the AASB has reissued AASB 1031 as an interim Standard that cross-references to other pronouncements that contain guidance on materiality.

Part B of AASB 2013-9 mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

AASB 1031: Materiality (December 2013)

As part of the adoption of IFRSs in 2005, the AASB decided to retain AASB 1031, in a revised format, to ensure that the meaning of "materiality" remained well explained. The AASB's concern about the application of the materiality concept stemmed from IFRSs not containing a dedicated Standard or detailed guidance on the concept of materiality. Subsequent to the implementation of IFRSs in Australia, the AASB has adopted a policy of not providing unnecessary local guidance on matters covered by IFRSs. Consequently, the AASB has decided to withdraw AASB 1031.

The withdrawal of AASB 1031 requires consequential amendments to all Australian Accounting Standards and Interpretations to remove references to the Standard. Part B of AASB 2013-9 deletes references to AASB 1031 in a number of AASB pronouncements. However, until all references to AASB 1031 have been removed (which will be facilitated by way of future Amending Standards), AASB 1031 (July 2004, as amended) will be withdrawn and replaced with the revised interim Standard AASB 1031 (December 2013).

AASB 1031 (December 2013) differs from AASB 1031 (July 2004, as amended) in that it:

- Removes the Australian guidance on material that is not available in IFRSs; and
- Directs constituent to other Australian pronouncements that contain guidance on materiality.

AASB 1031 (December 2013) mandatorily applies to annual reporting periods beginning on or after 1 January 2014.

The above new Accounting Standards and Interpretation have not impacted on the Group's financial statements.

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 \$97,000 (2013: \$83,000) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

3 Significant accounting judgements, estimates and assumptions (continued)

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 2014, the Company recognised expense of \$232,000 (2013: Nil) 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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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 the business segments.

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 2014

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 2014 and 31 December 2013.

| | Australia \$'000 | Singapore \$'000 | Malaysia \$'000 | Others \$'000 | Total \$'000 |
|------------------------------------|---------------------|---------------------|--------------------|------------------|-----------------|
| Year ended 31 December 2014 | | | | | |
| Revenue | | | | | |
| Sales to external customers | 13,745 | 5,651 | 13,772 | 3,412 | 36,580 |
| Total segment revenue | 13,745 | 5,651 | 13,772 | 3,412 | 36,580 |
| Segment results | | | | | |
| Earnings before interest and tax | 2,645 | 2,097 | 2,616 | (473) | 6,885 |
| Net interest | 50 | (2) | - | (5) | 43 |
| Share of profit of associates | - | - | - | (3) | (3) |
| Profit before income tax | | | | | 6,925 |
| Income tax benefit | | | | | 359 |
| Net profit for the year | | | | | 7,284 |
| Assets and liabilities | | | | | |
| Segment assets | 9,600 | 3,896 | 13,691 | 2,040 | 29,227 |
| Investment in associates | | | | | 1,044 |
| Total assets | | | | | 30,271 |
| Segment liabilities | 2,354 | 696 | 5,473 | 183 | 8,706 |
| Total liabilities | | | | | 8,706 |
| Other segment information | | | | | |
| Capital expenditure | (4) | (17) | (6,748) | (9) | (6,778) |
| Depreciation | (10) | (15) | (59) | (20) | (104) |
| Amortisation | - | (1) | (12) | (1) | (14) |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

4 Segment information (continued)

| | 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) |

Business segments

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

Business Industry

Health
Investment

Products/Services

Sale of vitamins and supplements
General investments



Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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 2014 and 31 December 2013.

| Year ended 31 December | 2014 | | | 2013 | | |
|----------------------------------|------------------|----------------------|-----------------|------------------|----------------------|-----------------|
| | Health \$'000 | Investment \$'000 | Total \$'000 | Health \$'000 | Investment \$'000 | Total \$'000 |
| Revenue | | | | | | |
| Sales to external customers | 36,580 | - | 36,580 | 35,411 | - | 35,411 |
| Result | | | | | | |
| Segment results | 7,501 | (16) | 7,485 | 5,856 | (24) | 5,832 |
| Unallocated expenses | - | - | (603) | - | - | (321) |
| Earnings before interest and tax | | | 6,882 | | | 5,511 |
| Net interest | | | 43 | | | 5 |
| Profit before income tax | | | 6,925 | | | 5,516 |
| Income tax benefit / (expense) | | | 359 | | | (770) |
| Net profit for the year | | | 7,284 | | | 4,746 |
| Assets and liabilities | | | | | | |
| Segment assets | 29,227 | 1,044 | 30,271 | 20,987 | 1,022 | 22,009 |
| Total assets | | | 30,271 | | | 22,009 |
| Segment liabilities | 8,698 | 8 | 8,706 | 5,734 | 6 | 5,740 |
| Total liabilities | | | 8,706 | | | 5,740 |
| Other segment information | | | | | | |
| Capital expenditure | (6,778) | - | (6,778) | (279) | - | (279) |
| Depreciation | (104) | - | (104) | (98) | - | (98) |
| Amortisation | (14) | - | (14) | (15) | - | (15) |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

5 Revenue and expenses

| | 2014 \$'000 | 2013 \$'000 |
|---|-----------------|-----------------|
| (a) Other income | | |
| Reversal of previous years impairment loss | - | 22 |
| Realised gain on foreign exchange | 17 | - |
| Unrealised gain on foreign exchange | 54 | - |
| Other income | 100 | 57 |
| | 171 | 79 |
| (b) Administrative expenses | | |
| Legal and other professional fees | (365) | (294) |
| Consultants | (701) | (616) |
| Allowance for impairment loss | (27) | - |
| Wages, salaries and other employee expenses | (9,982) | (9,923) |
| Defined contribution superannuation expense | (674) | (617) |
| Travelling expenses | (361) | (310) |
| Share based payment expense | (232) | - |
| Depreciation | (104) | (98) |
| Amortisation | (14) | (15) |
| Other administrative expenses | (190) | (505) |
| | (12,650) | (12,378) |
| (c) Other expenses | | |
| Product registration costs | (209) | (199) |
| Realised loss on foreign exchange | - | (17) |
| Unrealised loss on foreign exchange | - | (78) |
| Loss on disposal of property, plant and equipment | (3) | (16) |
| | (212) | (310) |
| (d) Finance income | | |
| Interest received - external parties | 174 | 125 |
| | 174 | 125 |
| (e) Finance expenses | | |
| Interest expense - external parties | (60) | (53) |
| Bank charges | (71) | (67) |
| | (131) | (120) |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Total accounting profit before income tax | 6,925 | 5,516 |
| At the parent entity's statutory income tax rate of 30% (2013: 30%) | 2,078 | 1,655 |
| Adjustment in respect of current income tax of previous year | 52 | (43) |
| Foreign tax rate adjustment | (311) | (99) |
| Travel and staff amenities expenses | 3 | 25 |
| Share based payments | 69 | - |
| Other income/(expenditure) not allowable for income tax purposes | (81) | 118 |
| Deferred tax asset recognised during financial year | (2,112) | - |
| Tax losses and timing differences not brought to account / (recognised) | (57) | (886) |
| Aggregate income taxes | (359) | 770 |
| The applicable weighted tax rates are as follows: | (5%) | 14% |

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

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| <i>Deferred tax assets/ (liabilities)</i> | | |
| Deferred tax assets relating to Australian Tax Group losses carried forward | 1,250 | - |
| Doubtful debts | 10 | 2 |
| Inventory obsolescence | 17 | 49 |
| Property, plant and equipment | (4) | (5) |
| Trade and other receivables | (4) | (4) |
| Provision for annual leave | 35 | 31 |
| Provision for long service leave | 21 | 14 |
| Other provision | 77 | 31 |
| Net deferred tax assets/ (liabilities) | 1,402 | 118 |
| <i>Presented in the consolidated Statement of Financial Position as follows:</i> | | |
| Deferred tax assets | 1,411 | 127 |
| Deferred tax liabilities | (9) | (9) |
| | 1,402 | 118 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

7 Income Taxes (continued)

(d) Tax losses

The Group has carry forward tax losses of S\$18.9 million (A\$17.5m) held within a wholly owned subsidiary, for which no deferred tax asset is brought to account. These losses are available indefinitely for offset against taxable income of the companies in which those losses arose. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied. Were these tax losses to be recognised, it would result in a deferred tax asset of A\$2.9m at the Singaporean company tax rate of 17%.

The Group had \$7.0m of unrecognised tax losses as at 31 December 2013, relating solely to the Australian consolidated tax group. These were recognised during the 2014 financial year, resulting in a credit to the profit and loss statement of \$2.1m.

(f) Tax consolidation

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

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

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

Measurement method adopted under 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:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Total increase in intercompany receivable of Vita Life Sciences Limited | 909 | 707 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

8 Cash and cash equivalents

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Cash at bank and in hand (a) | 7,211 | 6,280 |
| Short term deposit (b) | 1,947 | 2,693 |
| Total cash and cash equivalents | 9,158 | 8,973 |

(a) Cash at bank of \$7,211,000 (2013: \$6,280,000) earns interest at floating rates based on daily bank deposit rates.

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

(c) The fair value of cash equivalents for the Group is \$9,158,000 (2013: \$8,973,000).

(d) Information pertaining to the Cash Flow Statement:

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

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Net profit after tax | 7,284 | 4,746 |
| Adjustments for non-cash income and expense items: | | |
| Depreciation | 104 | 98 |
| Amortisation | 14 | 15 |
| Net loss on disposal of property, plant & equipment | 3 | 16 |
| Shared based payment expense | 232 | - |
| Allowance for / (reversal of) impairment loss | 27 | (22) |
| | 7,664 | 4,853 |
| Increase/decrease in assets and liabilities: | | |
| Decrease / (increase) in inventories | 1,098 | (498) |
| Decrease in investment in associates | 3 | 16 |
| (Increase) in receivables | (1,191) | (363) |
| (Increase) in other assets | (56) | (73) |
| (Increase) in Deferred Tax balances | (1,284) | (30) |
| (Decrease)/ increase in current income tax payable | (94) | 236 |
| (Decrease) in trade and other payables | (93) | (186) |
| (Decrease) / increase in other liabilities | (201) | 210 |
| Effect of foreign exchange translation of assets and liabilities | 269 | 670 |
| Net cash provided by operating activities | 6,115 | 4,835 |

ii) Non-cash financing and investing activities:

During the year, 645,000 Long Term Incentive Plan Shares were issued to certain Key Management Personnel by way of loans. Refer to Note 24 for details.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

9 Trade and other receivables

| | 2014 \$'000 | 2013 \$'000 |
|-----------------------------------|----------------|----------------|
| Current | | |
| Trade receivables, third parties | 4,752 | 3,600 |
| Allowance for impairment loss (a) | (34) | (7) |
| | 4,718 | 3,593 |
| Other receivables: | | |
| Other receivables (b) | 1,306 | 1,137 |
| Net tax receivable | 17 | 136 |
| | 6,041 | 4,866 |

(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 expense of \$27,000 (2013: impairment reversal of \$22,000) 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:

| | 2014 \$'000 | 2013 \$'000 |
|---------------------|----------------|----------------|
| At 1 January | 7 | 29 |
| Charge for the year | 27 | (22) |
| At 31 December | 34 | 7 |

(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 2014

10 Inventories

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Current | | |
| Raw materials at cost | 950 | 756 |
| Finished goods at lower of cost and net realisable value | 4,062 | 5,354 |
| | 5,012 | 6,110 |

11 Other assets

| | 2014 \$'000 | 2013 \$'000 |
|-------------------|----------------|----------------|
| Current | | |
| Prepayments | 410 | 409 |
| Security deposits | 188 | 133 |
| | 598 | 542 |

12 Investment in Associate

| | 2014 \$'000 | 2013 \$'000 |
|---------------------------|----------------|----------------|
| Non- current | | |
| <i>Unlisted</i> | | |
| - Mitre Focus Sdn Bhd (a) | 1,044 | 1,022 |
| Investment in associate | 1,044 | 1,022 |

(a) Details of the carrying value of investment and share of profit in associate:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Mitre Focus Sdn Bhd | | |
| - Investment in associate at cost * | - | - |
| - Loan to associate | 998 | 973 |
| - Cumulative share of associate's profit | 46 | 49 |
| Carrying value of investment in associate | 1,044 | 1,022 |

* 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 2014

12 Investment in Associate (continued)

| | Measurement Method | Place of Incorporation / Business | 31 December 2014 % | 31 December 2013 % |
|-------------------------------|--------------------|-----------------------------------|-----------------------|-----------------------|
| (b) Investment details | | | | |
| Name of Company | | | | |
| <i>Unlisted</i> | | | | |
| - 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.

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| (c) Summarised financial information | | |
| The following illustrates summarised financial information relating to the Group's associate: | | |
| Extract from the associate's statement of financial position: | | |
| Current assets | 4,787 | 4,905 |
| Non - current assets | 2,380 | 2,240 |
| | 7,167 | 7,145 |
| Current liabilities | (4,248) | (4,310) |
| Non - current liabilities | (175) | (171) |
| | (4,423) | (4,481) |
| Net assets | 2,744 | 2,664 |
| Share of associate's net assets | 173 | 168 |
| Extract from the associate's income statement: | | |
| Revenue | 3,173 | 3,013 |
| Net loss | (51) | (259) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (51) | (259) |

(d) The reporting date of the associate is 31 December 2014. 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 2014, there are no contingent liabilities relating to the associate.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

13 Property, plant and equipment

| | Property and Buildings \$'000 | Leasehold improvements \$'000 | Plant and equipment \$'000 | Leased Plant and Equipment \$'000 | Total \$'000 |
|---|-------------------------------------|-------------------------------------|----------------------------------|---|-----------------|
| Year ended 31 December 2014 | | | | | |
| At 1 January 2014 net of accumulated depreciation and impairment | - | 70 | 216 | - | 286 |
| Additions | 6,705 | - | 47 | - | 6,752 |
| Disposals | - | (8) | (6) | - | (14) |
| Exchange differences | - | (2) | (8) | - | (10) |
| Depreciation / amortisation for the year | - | (26) | (78) | - | (104) |
| At 31 December 2014 net of accumulated depreciation and impairment | 6,705 | 34 | 171 | - | 6,910 |
| At 31 December 2014 | | | | | |
| Cost value | 6,705 | 351 | 1,772 | 119 | 8,947 |
| Accumulated depreciation and impairment | - | (317) | (1,601) | (119) | (2,037) |
| Impairment | - | - | - | - | - |
| Net carrying amount | 6,705 | 34 | 171 | - | 6,910 |

| | Property and Buildings \$'000 | 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 | 2,219 |
| Accumulated depreciation and impairment | - | (291) | (1,523) | (119) | (1,933) |
| Net carrying amount | - | 70 | 216 | - | 286 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

14 Intangible assets

| | Product Development costs \$'000 | Total \$'000 |
|--|--|-----------------|
| Year ended 31 December 2014 | | |
| At 1 January 2014 net of accumulated depreciation and impairment | 83 | 83 |
| Additions | 26 | 26 |
| Impairment / amortisation | (14) | (14) |
| Exchange differences | 2 | 2 |
| | 97 | 97 |
| At 31 December 2014 | | |
| Gross carrying amount | 426 | 426 |
| Accumulated amortisation and impairment | (329) | (329) |
| Total | 97 | 97 |

| | 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 |
| | 83 | 83 |
| At 31 December 2013 | | |
| Gross carrying amount | 398 | 398 |
| Accumulated amortisation and impairment | (315) | (315) |
| Total | 83 | 83 |

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 2014

15 Trade and other payables

| | 2014 \$'000 | 2013 \$'000 |
|-----------------------------|----------------|----------------|
| Current | | |
| Trade payables (a) | 1,929 | 1,986 |
| Net tax payable | 225 | 261 |
| Other payables and accruals | 2,158 | 2,158 |
| | 4,312 | 4,405 |

- (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

| | 2014 \$'000 | 2013 \$'000 |
|---------------------------------|----------------|----------------|
| Current | | |
| Property facility - secured (a) | 260 | - |
| | 260 | - |
| Non - Current | | |
| Property facility - secured (a) | 3,094 | - |
| | 3,094 | - |

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

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Total facilities available: | | |
| Property facility (a) | 3,375 | - |
| Bank overdraft (b) | 200 | 268 |
| | 3,575 | 268 |
| Facilities utilised at balance date: | | |
| Property facility (a) | 3,354 | - |
| Bank overdraft (b) | - | - |
| | 3,354 | - |
| Facilities not utilised at balance date: | | |
| Property facility (a) | 21 | - |
| Bank overdraft (b) | 200 | 268 |
| | 221 | 268 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

16 Interest bearing loans and borrowings (continued)

(a) Property facility

The property facility is provided by a Malaysian bank to the Group's main operating subsidiary in Malaysia. The facility was fully drawn on 31 October 2014 in order to finalise the purchase of the Group's central facility in Kuala Lumpur. The interest rate for the facility as at 31 December 2014 is fixed at 5.22% for the term of 120 months. The facility is secured by a charge over the premises.

(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 2014 is 10.11% p.a. (2013: 9.48% 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 2014 | 778 | 15 | 793 |
| Charged during year | 714 | - | 714 |
| Used during year | (905) | (15) | (920) |
| Foreign exchange difference | 5 | - | 5 |
| Balance at 31 December 2014 | 592 | - | 592 |
| At 31 December 2014 | | | |
| Current | 523 | - | 523 |
| Non-Current | 69 | - | 69 |
| | 592 | - | 592 |
| At 31 December 2013 | | | |
| Current | 731 | 15 | 746 |
| Non-Current | 47 | - | 47 |
| | 778 | 15 | 793 |

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 2014

18 Contributed Equity

| | 2014 | 2013 | 2014 | 2013 |
|--|------------|------------|------------|------------|
| | Number | Number | \$ | \$ |
| Issued and paid up capital | | | | |
| Ordinary shares | 56,466,189 | 56,250,650 | 45,428,667 | 46,100,480 |
| Ordinary shares | | | | |
| Balance at beginning of the year | 56,250,650 | 56,474,638 | 46,100,480 | 45,956,146 |
| Share buy back (a) | (429,461) | (223,988) | (671,813) | (262,466) |
| Issue of shares to employee / director (b) | 645,000 | - | - | - |
| Plan shares exercised | - | - | - | 406,800 |
| Balance at end of the year | 56,466,189 | 56,250,650 | 45,428,667 | 46,100,480 |

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 22 May 2014, 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 2014, the Company bought back 429,461 shares for total consideration of \$665,161, excluding costs of \$6,652.

(b) Issue of Long Term Incentive Plan Shares to key executives

During the year ended 31 December 2014, the Company approved loans to three senior executives of the Group totaling \$741,750 in order for these executives to purchase a total of 645,000 shares under the Company's Long Term Incentive Plan. The issue of these shares was ratified at the Company's Annual General Meeting held on 22 May 2014.

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

For the year ended 31 December 2014, the Company recognised \$232,000 (2013: \$Nil) in the income statement with a corresponding increase in employee share based payment reserve.

(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 2014

18 Contributed Equity (continued)

(d) Dividends

The Directors declared an unfranked interim dividend of 1.5 cents per share and an unfranked final dividend of 2.0 cents per share (fully sourced from conduit foreign income) in respect of the financial year ended 31 December 2014 (2013: interim dividend of 1.0 cent franked to 41% and an unfranked final dividend of 2.0 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 2014.

| | 2014 Cents per Share | 2013 Cents per Share | 2014 \$'000 | 2013 \$'000 |
|--|----------------------------|----------------------------|----------------|----------------|
| Fully paid ordinary shares | | | | |
| Final dividend for the previous financial year | | | | |
| - No franking credits attached | 2.00 | - | 1,124 | - |
| - Fully franked at 30% corporate tax rate | - | 0.50 | - | 274 |
| Interim dividend for the financial year | | | | |
| - No franking credits attached | 1.50 | - | 840 | - |
| - Franked to 41% | - | 1.00 | - | 565 |
| | 3.50 | 1.50 | 1,964 | 839 |

The Group has no remaining imputation credits to distribute. In light of current tax losses carried forward of approximately \$4.3m 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Business Intelligence & Support Inc (i) | 374 | 429 |
| CVC Venture Managers Pty Ltd (ii) | 141 | 108 |
| Pilmora Pty Ltd (iii) | 23 | 15 |
| Melbourne Corporation Pty Ltd | - | 15 |

- (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. \$104,000 was payable as at 31 December 2014, and is included in trade and other creditors (2013: Nil).
- (ii) CVC Venture Managers Pty Ltd, a company in which Mr Henry Townsing is a director and therefore a related party, was paid \$141,000 (2013: \$108,000) for consultancy services during the financial year. There was no amount payable as at 31 December 2014 (2013: \$nil).
- (iii) Pilmora Pty Ltd, a company in which Mr Henry Townsing is a director and therefore a related party, was paid \$23,000 (2013: \$15,000) for consultancy services during the financial year. \$23,000 was payable as at 31 December 2014, and is included in trade and other creditors (2013: \$15,000).

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 2014

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 | |
|--|----------------------------|-------------------------------|-----------|
| | | 2014 % | 2013 % |
| 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 | 100 |
| Herbs of Gold Sdn Bhd | Malaysia | 100 | 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 2014

21 Directors and Key Management Personnel Remuneration

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report Section of the Directors' report.

Summary of remuneration of Directors & Key Management Personnel:

| | Short term salary, bonus, fees and leave | Post- employment benefits | Other long term benefits | Share based payment expense | Total |
|------|--|---------------------------|--------------------------|-----------------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| 2014 | 1,130,113 | 54,292 | - | 164,892 | 1,349,297 |
| 2013 | 1,004,570 | 36,261 | - | - | 1,040,831 |

Short-term salary, bonus, fees and leave

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Other long term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payment expense

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

22 Parent entity disclosures

Financial position as at 31 December

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| ASSETS | | |
| Current Assets | 200 | 70 |
| Non - Current Assets | 6,479 | 7,344 |
| Total Assets | 6,679 | 7,414 |
| LIABILITIES | | |
| Current Liabilities | 362 | 299 |
| Non - Current Liabilities | - | - |
| Total Liabilities | 362 | 299 |
| Equity | | |
| Issued capital | 45,429 | 46,100 |
| Accumulated losses | (39,817) | (39,457) |
| Employee share based payments reserve | 705 | 472 |
| Total Equity | 6,317 | 7,115 |
| Financial performance for the year ended 31 December | | - |
| Profit for the year | 1,644 | 385 |
| Other comprehensive income / (expense) | - | - |
| Total comprehensive income for the year | 1,644 | 385 |

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency 31 December 2014, consistent with that at 31 December 2013. 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 2014

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:

| | 2014 \$'000 | 2013 \$'000 |
|------------------------------|----------------|----------------|
| Financial assets | | |
| Cash at bank and in hand | 7,211 | 6,280 |
| Short term deposit | 1,947 | 2,693 |
| | 9,158 | 8,973 |
| Financial liabilities | | |
| Property facility | 3,354 | - |
| | 3,354 | - |
| Net exposure | 5,804 | 8,973 |

At 31 December 2014, 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) | |
|----------------------------|---|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| + 1.00% (100 basis points) | 49 | 37 |
| - 0.50% (50 basis points) | (24) | (18) |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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:

| | 2014 \$'000 | 2013 \$'000 |
|---------------------------------|----------------|----------------|
| Financial assets | | |
| Cash at bank and in hand (a) | 7,211 | 6,280 |
| Short term deposit (a) | 1,947 | 2,693 |
| Trade and other receivables (b) | 6,041 | 4,866 |
| | 15,199 | 13,839 |

(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 2014

23 Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

At 31 December 2014, the Group had the following exposure to foreign currency:

| | 2014 \$'000 | 2013 \$'000 |
|-------------------------------|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | | |
| - Singapore Dollar (SGD) | 2,231 | 1,651 |
| - Malaysia Ringgit (RM) | 2,376 | 3,110 |
| - Hong Kong Dollar (HKD) | 49 | 40 |
| - Chinese Yuan Renminbi (RMB) | 461 | 107 |
| - Vietnamese Dong (VND) | 33 | 113 |
| - Thai Baht | 633 | 535 |
| Trade and other receivables | | |
| - Singapore Dollar (SGD) | 845 | 522 |
| - Malaysia Ringgit (RM) | 2,240 | 1,944 |
| - Hong Kong Dollar (HKD) | 42 | 58 |
| - Chinese Yuan Renminbi (RMB) | 85 | - |
| - Vietnamese Dong (VND) | 86 | 760 |
| - Thai Baht | 233 | 305 |
| | 9,314 | 9,145 |
| Financial liabilities | | |
| Trade and other payables | | |
| - Singapore Dollar (SGD) | 407 | 51 |
| - Malaysia Ringgit (RM) | 1,510 | 1,268 |
| - Hong Kong Dollar (HKD) | 110 | 4 |
| - Chinese Yuan Renminbi (RMB) | 57 | - |
| - Indonesian Rupiah (Rp) | 2 | 1 |
| - Vietnamese Dong (VND) | 39 | 34 |
| - Thai Baht | 24 | 22 |
| Property Facility | | |
| - Malaysia Ringgit (RM) | 3,354 | - |
| | 5,503 | 1,380 |
| Net exposure | 3,811 | 7,765 |

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

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 2014, 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) | |
|------------------|---|----------------|---------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| AUD/ SGD + 10.0% | 141 | 219 | 291 | 375 |
| AUD/ SGD - 5.0% | (71) | (109) | (146) | (188) |
| AUD/ RM + 10.0% | 194 | 67 | 606 | 413 |
| AUD/ RM - 5.0% | (105) | (48) | (303) | (214) |
| AUD/ HK + 10.0% | (42) | (34) | (31) | (25) |
| AUD/ HK - 5.0% | 21 | 17 | (15) | 12 |
| AUD/ RMB + 10.0% | (7) | (15) | 112 | 161 |
| AUD/ RMB - 5.0% | 4 | 8 | (56) | (80) |
| AUD/ THB + 10.0% | (5) | 2 | 2 | - |
| AUD/ THB - 5.0% | 3 | (1) | (1) | - |
| AUD/ VND + 10.0% | 5 | 8 | 6 | 8 |
| AUD/ VND - 5.0% | (3) | (4) | (3) | (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 2014

23 Financial risk management objectives and policies (continued)

Liquidity risk (Continued)

At 31 December 2014, the Group has available approximately \$0.22 million (2013 \$0.75 million) of unused credit facilities available for immediate use.

| | Weighted average interest rate | Interest Free | Floating | Fixed interest maturing | | Total |
|------------------------------|--------------------------------------|---------------|----------|----------------------------|--------------|--------|
| | | | | 1 year or less | 1 to 5 years | |
| 2014 | | | | | | |
| Financial Assets | | | | | | |
| Cash assets | 2.35% | - | 7,211 | 1,947 | - | 9,158 |
| Trade and other receivables | n/a | 6,041 | - | - | - | 6,041 |
| | | 6,041 | 7,211 | 1,947 | - | 15,199 |
| Financial Liabilities | | | | | | |
| Trade and other payables | n/a | 4,312 | - | - | - | 4,312 |
| Property facility | 5.22% | - | - | 260 | 3,094 | 3,354 |
| | | 4,312 | - | 260 | 3,094 | 7,666 |
| 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 |

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 2014

24 Share based payment plans

(a) Recognised share based payment expenses

| | 2014 \$ | 2013 \$ |
|--|--------------|------------|
| Expense arising from equity-settled share based payment transactions | (232) | - |
| | (232) | - |

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 2014

During the 2014 financial year, 645,000 Long Term Incentive Plan Shares were issued to key executives of the Group. 322,500 of these have performance hurdles relating to the 2014 financial year; with a final expiry date of 30 June 2015, and an exercise price of \$1.10 should the hurdle be reached. The remaining 322,500 have performance hurdles combining the 2014 and 2015 financial years; with a final expiry date of 30 June 2016, and an exercise price of \$1.20 should the hurdle be reached.

The 2014 financial year performance hurdles relating to 242,500 Long Term Incentive Plan shares held by two key executives were reached.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

24 Share based payment plans (continued)

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

(iii) Plan Shares

AASB 2 Share Based Payments 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 vesting period. All of the above issues of Plan shares have been treated as Plan Share Options (“implied options”) in accordance with AASB 2. The employee benefit is deemed to be the fair value of the implied option arising from the Plan. Consequently the value of the discount which has been determined using the Black Scholes option pricing model will be charged to the Statement of Comprehensive Income and credited to the Employee Share Based Payments Reserve over the vesting period.

Where employee shares are issued under a non-recourse loan payment plan, the loan assets and the increments to Contributed Equity are not recognised at grant date but rather the increments to Contributed Equity are recognised when the share loans are settled by the relevant employees.

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

| | 2014 No. | 2013 No. | 2014 WAEP | 2013 WAEP |
|--|----------------|-------------|--------------|--------------|
| Outstanding at the beginning of the year | - | 1,695,000 | - | 0.24 |
| Granted during the year - b(ii) | 645,000 | - | 1.15 | - |
| Exercised during the year | - | (1,695,000) | - | 0.24 |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 645,000 | - | 1.15 | 0.24 |

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

The range of exercise prices for Plan Shares outstanding at the end of the financial year was \$1.10 to \$1.20

The weighted average remaining contractual life for the Plan Shares outstanding at the end of the financial year was 0.75 years

The weighted average fair value of Plan Shares granted during the financial year was \$0.81

No Plan Shares were exercised during the financial year.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

24 Share based payment plans (continued)

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

(v) 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 2014 | |
|---|----------------------------|---------------|
| | \$ 1.10 | \$ 1.20 |
| Exercise price per implied option | | |
| Dividend yield | - | - |
| Expected annual volatility | 77.00% | 77.00% |
| Risk-free interest rate (p.a.) | 2.50% | 2.50% |
| Expected life of implied option (Years) | 1.5 years | 2.5 years |
| Fair value per implied option | \$ 0.76 | \$ 0.85 |
| Exercise price per implied option | \$1.10 | \$1.20 |
| Share price at grant date | \$1.56 | \$1.56 |
| Model used | Black Scholes | Black Scholes |

In respect of the implied options arising from the Shares granted in 2014, the expected volatility was determined using historic data over a 5 year period from August 2008 to April 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:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Within one year | 386 | 343 |
| After one year but not more than five years | 174 | 418 |
| | 560 | 761 |

The Group incurred \$416,000 (2013: \$399,000) of operating lease expenditure during the financial year.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

26 Net tangible assets per share

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
| Net assets per share | 0.38 | 0.29 |
| Net tangible assets per share | 0.36 | 0.29 |
| | Number | Number |
| Number of ordinary shares for net assets per share | 56,466,189 | 56,250,650 |

27 Subsequent events after balance sheet date

Final Dividend

On 19 February 2015, the Directors declared a final unfranked dividend of 2.0 cents per share totalling \$1,129,000 in respect of the financial year ended 31 December 2014, payable on 26 March 2015

Long Term Incentive Plan share issue

Subsequent to the end of the financial year, 200,000 Long Term Incentive Plan shares were issued to one key executive and 80,000 Long Term Incentive Plan shares issued to a key executive during 2014 were cancelled as a result of performance hurdles not being reached.

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.

28 Auditors remuneration

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

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| <i>Amount receivable or due and receivable by Russell Bedford NSW for:</i> | | |
| An audit or review of the financial report of the entity and any other entity in the consolidated group | 96 | 91 |
| Other services in relation to the entity and any other entity in the consolidated group | | |
| - tax compliance services | 15 | 16 |
| - share registry | 35 | 34 |
| | 146 | 141 |
| <i>Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:</i> | | |
| - audit or review of the financial report | 76 | 64 |
| | 222 | 205 |

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes as set out on pages 29 to 79 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 2014 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
 26 March 2015



Russell Bedford

New South Wales

Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

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F: +61 2 9251 1275
E: mail@russellbedfordnsw.com.au
W: www.russellbedford.com.au

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 2014, 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.



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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 2014 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 12 to 18 of the directors' report for the year ended 31 December 2014. 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

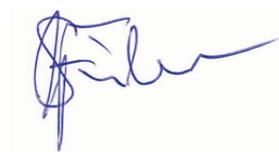
In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

Emphasis of Matter

We draw attention to footnote 2 to the tables of movements in relevant interest in shares of the Company held by Directors and other Key Management Personnel during the financial year and the comparative year, presented on page 17 of the Remuneration Report in the Directors' Report. It describes a potential impact on the disclosure of the relevant interest in the Company held by Mr Vanda Gould. Our conclusion is not modified in respect of this matter.

RUSSELL BEDFORD NSW

Chartered Accountants



STEPHEN FISHER

Partner

26 March 2015



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ASX Additional Information

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 | 15.1% |
| Barings Acceptance Limited | 7,371,832 | 13.0% |
| Lloyds & Casanove Investment Partners Limited | 6,276,040 | 11.1% |
| Mr Eddie L S Tie | 4,330,500 | 7.7% |
| RBC Investor Services Australia Nominees Pty Limited | 3,452,590 | 6.1% |
| Citicorp Nominees Pty Limited | 3,168,870 | 5.6% |

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 16 March 2015:

| Category | Ordinary shareholders |
|------------------|-----------------------|
| 1 - 1,000 | 110 |
| 1,001 - 5,000 | 378 |
| 5,001 - 10,000 | 211 |
| 10,001 - 100,000 | 219 |
| 100,001 and over | 38 |
| | <hr/> |
| | 956 |

(ii) There were 41 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information (continued)

C. EQUITY SECURITY HOLDERS

| Twenty largest quoted equity security holders | Ordinary shares | |
|--|-----------------|-----------------------------|
| | Number held | Percentage of shares issued |
| Chemical Trustee Limited | 8,551,439 | 15.1% |
| Barings Acceptance Limited | 7,371,832 | 13.0% |
| Lloyds & Casanove Investment Partners Limited | 6,276,040 | 11.1% |
| Mr Eddie L S Tie | 4,330,500 | 7.7% |
| RBC Investor Services Australia Nominees Pty Limited | 3,452,590 | 6.1% |
| Citicorp Nominees Pty Limited | 3,168,870 | 5.6% |
| Stinoc Pty Ltd | 2,710,335 | 4.8% |
| Normandy Finance & Investments Asia Limited | 1,425,109 | 2.5% |
| 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% |
| National Nominees Limited | 922,788 | 1.6% |
| HSBC Custody Nominees (Australia) Limited | 547,634 | 1.6% |
| J P Morgan Nominees Australia Limited | 495,569 | 0.9% |
| Sycamore Pty Ltd | 485,611 | 0.9% |
| Aust Executor Trustees Ltd | 348,407 | 0.6% |
| HSBC Custody Nominees (Australia) Limited <NT Comnwlth> | 341,771 | 0.6% |
| Mr Edmind E M Sim | 325,000 | 0.5% |
| Citicorp Nominees Pty Limited <Colonial First State Inv> | 320,871 | 0.5% |
| B F A Pty Ltd | 297,051 | 0.4% |

D. VOTING RIGHTS

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



Corporate Directory

Board of Directors

Vanda Gould

Non-Executive Chairman

Eddie L S Tie

Managing Director

Jonathan Tooth

Non-Executive Director

Henry Townsing

Non-Executive Director

Company Secretary

Matthew Beckett

Corporate Office

Suite 650, Level 6

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Melbourne VIC 3004

T: 61(03) 9828 0500

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 29, SunCorp Place

259 George Street

Sydney NSW 2000

Banker

Westpac Banking Corporation

National Australia Bank Limited

Solicitor

Mark J Ord

Lawyer & Consultant

Suite 650, Level 6

1 Queens Road

Melbourne VIC 3004

Share Registry

Gould Ralph Pty Ltd

Level 29, 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

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Vita Life Sciences Limited Annual Report 2014

Vita Life Sciences Limited

ACN 003 190 421

ABN 35 003 190 421

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