



**Preliminary Final Report of**  
**Vita Life Sciences Limited**  
**For the Year Ended 31 December 2014**

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

Current Reporting Period: Financial Year Ended 31 December 2014

Previous Corresponding Period: Financial Year Ended 31 December 2013

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# Name of Entity: Vita Life Sciences Limited

**ABN: 35 003 190 421**

## Results for announcement to the market

		Percentage Change %	2014 A\$'000
<b>Revenue</b>	up	3.3	36,580
<b>Profit from continuing operations before tax and finance costs</b>	up	24.9	6,882
<b>Profit before income tax</b>	up	25.5	6,925
<b>Net profit after tax</b>	up	53.5	7,284
<b>Net profit attributable to members</b>	up	53.3	7,280

  

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	<b>Conduit Foreign Income</b>
Interim dividend per share	1.5 cents	0.0 cents	0.0 cents
Final dividend per share	2.0 cents	0.0 cents	2.0 cents

Ex-Dividend date for the purpose of receiving the dividend

15/03/2015

Record date for determining entitlements to dividends

19/03/2015

Payment date

26/03/2015

The Company's dividend reinvestment plan remains suspended, and as such does not apply to the final dividend.

# Commentary on Results

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

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 \$6.88 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.

## Divisional Results

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

	Health	Investment \$	Total \$
<b>Result</b>			
Segment profit / (loss) before interest and tax	7,501	(16)	7,485
Unallocated expenses			(603)
Profit before interest and tax			<u>6,882</u>
Finance costs			<u>43</u>
Profit before income tax			6,925
Income tax benefit			<u>359</u>
<b>Net profit for the year</b>			<u><u>7,284</u></u>

## 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.

## 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.

# Commentary on Results (continued)

## Divisional Results (continued)

### 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, Indonesia, Malaysia – Multi Level Marketing, Thailand, and Vietnam, 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 2015. 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.

### 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

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014	Notes	2014 \$'000	2013 \$'000
<b>CONTINUING OPERATIONS</b>			
Sale of goods		36,580	35,411
Cost of sales		(10,538)	(11,366)
<b>Gross profit</b>		<b>26,042</b>	<b>24,045</b>
Other income	3 (a)	171	79
Distribution expenses		(2,982)	(2,886)
Marketing expenses		(2,639)	(2,189)
Occupancy expenses		(845)	(834)
Administrative expenses	3 (b)	(12,650)	(12,378)
Other expenses	3 (c)	(212)	(310)
Share of associate's loss		(3)	(16)
<b>Profit from continuing operations before interest and taxes</b>		<b>6,882</b>	<b>5,511</b>
Finance income	3 (d)	174	125
Finance costs	3 (e)	(131)	(120)
<b>Profit before income tax</b>		<b>6,925</b>	<b>5,516</b>
Income tax benefit / (expense)	5	359	(770)
<b>Net profit for the year</b>		<b>7,284</b>	<b>4,746</b>
<b>Other comprehensive income after income tax</b>			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Exchange differences on translating foreign controlled entities		415	876
Other comprehensive income for the year, net of income tax		415	876
<b>Total comprehensive income for the year</b>		<b>7,699</b>	<b>5,622</b>
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
<b>Earnings per share (cents per share)</b>			
- basic earnings per share	4	12.98	8.53
- diluted earnings per share	4	12.84	8.42

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

# Consolidated Statement of Financial Position

as at 31 December 2014	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	9,158	8,973
Trade and other receivables	7	6,041	4,866
Inventories	8	5,012	6,110
Other assets	9	598	542
<b>Total Current Assets</b>		<b>20,809</b>	<b>20,491</b>
<b>Non Current Assets</b>			
Investment in associates	10	1,044	1,022
Property, plant and equipment	11	6,910	286
Intangible assets	12	97	83
Deferred tax assets	5	1,411	127
<b>Total Non Current Assets</b>		<b>9,462</b>	<b>1,518</b>
<b>Total Assets</b>		<b>30,271</b>	<b>22,009</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	4,312	4,405
Interest bearing loans and borrowings	14	260	-
Current tax liability		439	533
Provisions	15	523	746
<b>Total Current Liabilities</b>		<b>5,534</b>	<b>5,684</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liability	5	9	9
Interest bearing loans and borrowings	14	3,094	-
Provisions	15	69	47
<b>Total Non Current Liabilities</b>		<b>3,172</b>	<b>56</b>
<b>Total Liabilities</b>		<b>8,706</b>	<b>5,740</b>
<b>Net Assets</b>		<b>21,565</b>	<b>16,269</b>
<b>EQUITY</b>			
Contributed equity	16	45,429	46,100
Accumulated losses		(24,307)	(29,623)
Employee share based payments reserve		704	472
Foreign currency translation reserve		(357)	(770)
<b>Parent entity interest</b>		<b>21,469</b>	<b>16,179</b>
Non-controlling interest		96	90
<b>Total Equity</b>		<b>21,565</b>	<b>16,269</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014	Notes	2014 \$'000	2013 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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)
<b>Net cash flows provided by operating activities</b>	6	<b>6,115</b>	<b>4,835</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,778)	(279)
<b>Net cash flows used in investing activities</b>		<b>(6,778)</b>	<b>(279)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>719</b>	<b>(695)</b>
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
<b>Cash and cash equivalents at end of the year</b>	6	<b>9,158</b>	<b>8,973</b>

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

# Consolidated Statement of Changes in Equity

	Note	Issued Capital \$'000	Employee Share Based Payments Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non- controlling Interests \$'000	Total \$'000
<b>Balance at 1 January 2014</b>		46,100	472	(29,623)	(770)	16,179	90	16,269
<b>Comprehensive income</b>								
Profit attributable to members of parent entity		-	-	7,280	-	7,280	4	7,284
Other comprehensive income for the year		-	-	-	413	413	2	415
<b>Total comprehensive income for the year</b>		-	-	7,280	413	7,693	6	7,699
<b>Transactions with owners, in their capacity as owners</b>								
Shares bought back		(671)	-	-	-	(671)	-	(671)
Employee share option scheme		-	232	-	-	232	-	232
Dividends paid	16	-	-	(1,964)	-	(1,964)	-	(1,964)
<b>Total transactions with owners</b>		(671)	232	(1,964)	-	(2,403)	-	(2,403)
<b>Balance at 31 December 2014</b>		45,429	704	(24,307)	(357)	21,469	96	21,565

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

## Consolidated Statement of Changes in Equity (continued)

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

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

# Notes to the Financial Statements

For the Year Ended 31 December 2014

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

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

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

### (b) Statement of compliance

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

### (c) Basis of consolidation

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Investments in subsidiaries held by Vita Life 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

## 1 Summary of Significant Accounting Policies (continued)

### (d) Business combinations

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

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

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

### (e) Foreign currency translation

#### (i) Functional and presentation currency

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

The functional currency of the main operating overseas subsidiaries VitaHealthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd, Supplements World Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

#### (ii) Transactional and balances

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

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

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

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

### (f) Cash and cash equivalents

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 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 is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

### (i) Property, plant and equipment

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

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

#### Depreciation

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

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

	<u>Rate</u>	<u>Method</u>
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 statement of comprehensive income in the year the item is derecognised.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (j) Goodwill and Intangibles

#### **Goodwill**

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

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

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

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

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

#### **Intangibles**

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (l) Trade and other payables

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

### (m) Interest bearing loans and borrowings

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

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

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

#### Borrowing costs

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

### (n) Provisions

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (o) Employee entitlements

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits are recognised against profits on a net basis in their respective categories.

### (p) Issued capital

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

### (q) Leases

#### *Finance Leases*

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

#### *Operating Leases*

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

### (r) Revenue recognition

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

#### *Sale of goods*

Revenue is recognised (net of returns, discounts and allowances excluding distributors cost) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

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

#### *Interest*

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

#### *Dividends*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (s) Taxes

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

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

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

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

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

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

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

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

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

#### **Tax consolidation**

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (t) Other taxes

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

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

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

### (u) Financial instruments

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

#### **Financial assets at fair value through profit and loss**

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

#### **Loans and receivables**

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

#### **De-recognition of financial instruments**

##### **Financial assets**

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

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

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

##### **Financial liabilities**

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (u) Financial instruments (continued)

#### **Financial assets carried at amortised cost**

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

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

#### **Financial assets carried at cost**

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

### (v) Earnings per share

#### **Basic earnings per share**

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

#### **Diluted earnings per share**

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

### (w) Share-based payment transactions

#### *(i) Equity settled transactions:*

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

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

## 1 Summary of Significant Accounting Policies (continued)

### (x) 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.

### (y) New and amended accounting policies 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. A number. 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

## 1 Summary of Significant Accounting Policies (continued)

### (y) New and amended accounting policies adopted by the Group

#### 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.

#### 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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

### (y) New and amended accounting policies adopted by the Group

#### 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.

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

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

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

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

#### *Capitalised development costs*

Included in intangible assets (Note 12) at the end of the year is an amount of \$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.

#### *Taxation*

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 1 Summary of Significant Accounting Policies (continued)

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

#### Share-based payment transactions

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

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

#### Estimation of useful lives of assets

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

## 2 Segment Information

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

### Geographical segment

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

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2014 and 31 December 2013.

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Total \$'000
<b>Year ended 31 December 2014</b>					
<b>Revenue</b>					
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
<b>Segment results</b>					
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
<b>Net profit for the year</b>					<b>7,284</b>
<b>Assets and liabilities</b>					
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
<b>Other segment information</b>					
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

## 2 Segment Information (continued)

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Total \$'000
<b>Year ended 31 December 2013</b>					
<b>Revenue</b>					
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
<b>Segment results</b>					
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)
<b>Net profit for the year</b>					<b>4,746</b>
<b>Assets and liabilities</b>					
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
<b>Other segment information</b>					
Capital expenditure	(19)	(135)	(125)	-	(279)
Depreciation	(8)	(22)	(55)	(13)	(98)
Amortisation	-	(1)	(12)	(2)	(15)

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 2 Segment Information (continued)

### Business segments

The Group operates in two industry segments.

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

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the years 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
<b>Revenue</b>						
Sales to external customers	36,580	-	36,580	35,411	-	35,411
<b>Result</b>						
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)
<b>Net profit for the year</b>			7,284			4,746
<b>Assets and liabilities</b>						
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
<b>Other segment information</b>						
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

## 3 Revenue and Expenses

	2014 \$'000	2013 \$'000
<b>(a) Other income</b>		
Reversal of previous years impairment loss	-	22
Realised gain on foreign exchange	17	-
Unrealised gain on foreign exchange	54	-
Other income	100	57
	<b>171</b>	<b>79</b>
<b>(b) Administrative expenses</b>		
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)
	<b>(12,650)</b>	<b>(12,378)</b>
<b>(c) Other expenses</b>		
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)
	<b>(212)</b>	<b>(310)</b>
<b>(d) Finance income</b>		
Interest received - external parties	174	125
	<b>174</b>	<b>125</b>
<b>(e) Finance expenses</b>		
Interest expense - external parties	(60)	(53)
Bank charges	(71)	(67)
	<b>(131)</b>	<b>(120)</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 4 Earnings per share

	2014 \$'000	2013 \$'000
<b>(a) Earnings used in calculating earnings per share</b>		
Net profit attributable to equity holders from continuing operations	7,284	4,746
(Profit) / loss attributable to non-controlling interest	(4)	2
<b>Earnings used to calculate basic and dilutive earnings per share</b>	<b>7,280</b>	<b>4,748</b>
	2014 Number	2013 Number
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	56,067,408	55,667,396
Adjusted weighted average number of ordinary shares for diluted earnings per share. Long Term Incentive Plan shares are classified as dilutive for the purposes of this calculation.	56,712,408	56,373,646

## 5 Income Taxes

	2014 \$'000	2013 \$'000
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<i>Income Statement:</i>		
<i>Current income tax</i>		
Current income tax charge	1,733	1,557
Tax benefits arising from previously unrecognised tax losses of prior years	(2,112)	(706)
Prior year under / (over) provision	52	(43)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(32)	(38)
<b>Income tax expense reported in the income statement</b>	<b>(359)</b>	<b>770</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 5 Income Taxes (continued)

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

	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)
<b>Aggregate income taxes</b>	<b>(359)</b>	<b>770</b>
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
<b>Net deferred tax assets/ (liabilities)</b>	<b>1,402</b>	<b>118</b>
<i>Presented in the consolidated Statement of Financial Position as follows:</i>		
Deferred tax assets	1,411	127
Deferred tax liabilities	(9)	(9)
	<b>1,402</b>	<b>118</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 5 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.

### (e) Tax consolidation

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

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

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

#### Measurement method adopted

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

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

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

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

#### Nature of the tax funding agreement

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

#### Tax consolidation contributions / (distributions)

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

	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

## 6 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
<b>Total cash and cash equivalents</b>	<b>9,158</b>	<b>8,973</b>

(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).

	2014 \$'000	2013 \$'000
<b>(e) Reconciliation of net profit after tax to net cash flows from operations</b>		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,211	6,280
Short term deposit	1,947	2,693
Bank overdrafts - secured	-	-
	<b>9,158</b>	<b>8,973</b>

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

<b>Net profit after tax</b>	7,284	4,746
<b>Adjustments for non-cash income and expense items:</b>		
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)
	<b>7,664</b>	<b>4,853</b>
<b>Increase/decrease in assets and liabilities:</b>		
Decrease / (increase) in inventories	1,098	(498)
Decrease in investment in associates	3	16
(Increase) / decrease 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)/ increase 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
<b>Net cash provided by operating activities</b>	<b>6,115</b>	<b>4,835</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 7 Trade and other receivables

	2014 \$'000	2013 \$'000
<b>Current</b>		
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
	<b>6,041</b>	<b>4,866</b>

### (a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment 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	<b>34</b>	<b>7</b>

(b) Other receivables are non-interest bearing and have repayment terms between 30 to 90 days. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

### (c) 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.

## 8 Inventories

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 9 Other current assets

	2014 \$'000	2013 \$'000
Current		
Prepayments	410	409
Security deposits	188	133
	<b>598</b>	<b>542</b>

## 10 Investment in Associates

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

	2014 \$'000	2013 \$'000
<b>(a) Details of the carrying value of investment and share of profit in associate:</b>		
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	<b>1,044</b>	<b>1,022</b>

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

	Measurement Method	Place of Incorporation / Business	31 December 2014 %	31 December 2013 %
<b>(b) Investment details</b>				
<b>Name of Company</b>				
<i>Unlisted</i>				
- Mitre Focus Sdn Bhd	Equity Method	Malaysia	6.3	6.3

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 10 Investment in Associates (continued)

	2014 \$'000	2013 \$'000
<b>(c) Summarised financial information</b>		
The following illustrates summarised financial information relating to the Group's associate:		
<b>Extract from the associate's statement of financial position:</b>		
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	<b>173</b>	<b>168</b>
<b>Extract from the associate's income statement:</b>		
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) The loan to associate is interest free and has 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

## 11 Property, plant and equipment

	Property and Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
<b>Year ended 31 December 2014</b>					
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	<b>6,705</b>	<b>34</b>	<b>171</b>	-	<b>6,910</b>
<b>At 31 December 2014</b>					
Cost value	6,705	351	1,772	119	8,947
Accumulated depreciation and impairment	-	(317)	(1,601)	(119)	(2,037)
Impairment	-	-	-	-	-
<b>Net carrying amount</b>	<b>6,705</b>	<b>34</b>	<b>171</b>	-	<b>6,910</b>

	Property and Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
<b>Year ended 31 December 2013</b>					
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	-	<b>70</b>	<b>216</b>	-	<b>286</b>
<b>At 31 December 2013</b>					
Cost value	-	361	1,739	119	2,219
Accumulated depreciation and impairment	-	(291)	(1,523)	(119)	(1,933)
<b>Net carrying amount</b>	-	<b>70</b>	<b>216</b>	-	<b>286</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 12 Intangible assets

	Product Development costs \$'000	Total \$'000
<b>Year ended 31 December 2014</b>		
At 1 January 2014 net of accumulated depreciation and impairment	83	83
Additions	26	26
Impairment / amortisation	(14)	(14)
Exchange differences	2	2
	<b>97</b>	<b>97</b>
At 31 December 2014 net of accumulated depreciation and impairment	<b>97</b>	<b>97</b>
<b>At 31 December 2014</b>		
Gross carrying amount	426	426
Accumulated amortisation and impairment	(329)	(329)
<b>Total</b>	<b>97</b>	<b>97</b>
<b>Year ended 31 December 2013</b>		
At 1 January 2013 net of accumulated depreciation and impairment	73	73
Additions	21	21
Impairment / amortisation	(15)	(15)
Exchange differences	4	4
	<b>83</b>	<b>83</b>
At 31 December 2013 net of accumulated depreciation and impairment	<b>83</b>	<b>83</b>
<b>At 31 December 2013</b>		
Gross carrying amount	398	398
Accumulated amortisation and impairment	(315)	(315)
<b>Total</b>	<b>83</b>	<b>83</b>

### *Development costs*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 13 Trade and other payables

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

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

## 14 Interest bearing loans and borrowings

	2014 \$'000	2013 \$'000
<b>Current</b>		
Property facility - secured (a)	260	-
	<b>260</b>	<b>-</b>
<b>Non - Current</b>		
Property facility - secured (a)	3,094	-
	<b>3,094</b>	<b>-</b>

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

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

### (a) Property finance facility

Trade 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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 14 Interest bearing loans and borrowings (continued)

### (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) Default and breaches

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

## 15 Provisions

	Employee Entitlements \$'000	Others \$'000	Total \$'000
<b>Consolidated</b>			
<b>Balance at 1 January 2014</b>	<b>778</b>	<b>15</b>	<b>793</b>
Charged during year	714	-	714
Used during year	(905)	(15)	(920)
Foreign exchange difference	5	-	5
<b>Balance at 31 December 2014</b>	<b>592</b>	<b>-</b>	<b>592</b>
<b>At 31 December 2014</b>			
Current	523	-	523
Non-Current	69	-	69
	<b>592</b>	<b>-</b>	<b>592</b>
<b>At 31 December 2013</b>			
Current	731	15	746
Non-Current	47	-	47
	<b>778</b>	<b>15</b>	<b>793</b>

### (a) Employee entitlements

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 16 Contributed equity

	2014 Number	2013 Number	2014 \$	2013 \$
<b>Issued and paid up capital</b>				
Ordinary shares	56,466,189	56,250,650	45,428,667	45,956,146
<b>Ordinary shares</b>				
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

### (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 half 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

## 16 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
<b>Fully paid ordinary shares</b>				
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
	<b>3.50</b>	<b>1.50</b>	<b>1,964</b>	<b>839</b>

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.

## 17 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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2014

## 18 Subsidiaries

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	-
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

## 19 Subsequent events

### Final Dividend

On 19 February 2015, the Directors declared a final unfranked dividend of 2.0 cents per share in respect of the financial year ended 31 December 2014.

### Long Term Incentive Plan share issue

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

## 20 Information on audit or review

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

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

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

Not applicable

# Compliance Statement

1. This report has been prepared in accordance with ASX Listing Rule 4.3A, Australian Accounting Standards (including Australian Accounting Interpretations) and other standards acceptable to the ASX.
2. This report, and the financial statements upon which the report is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on financial statements which are in the process of being audited, and the audit report is not expected to contain any qualifications.
5. The entity has a formally constituted Audit Committee.

**Matthew Beckett**  
Company Secretary  
19 February 2015

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