

# Vita Life Sciences Limited Annual Report 2015

**Vita Life Sciences Limited**  
ABN 35 003 190 421



# Vita Life Sciences Limited



VLS



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# Who is Vita Life Sciences?

Vita Life Sciences Limited ("Vita Life") is a multinational healthcare company involved in the formulating, packaging, sales and distribution of vitamins and supplements. Vita Life is represented by three major brands of high quality supplements throughout the Asia-Pacific region, "Vita Health", "Herbs of Gold" and "VitaScience".

Vita Life has a company-wide commitment to:

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

## Our History

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

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

## Our Future

Vita Life has grown from strength to strength and is now a significant healthcare company with circa 750 - 800 registered products throughout Australia and Asia. Vita Life's strategy is to establish a sustainable platform for revenue growth through expanding operations into new 50 million plus population markets in Asia.

## Our People

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

## Chairman's Letter

Dear Shareholder,

Your company continues to grow with an increasing reputation for product excellence apart from its strong trading performance. As Albert Einstein observed:

*"Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted".*

This is a very true observation for Vita Life Sciences Limited (Vita Life). The substantial growth in the human and intellectual capital of Vita Life is also very impressive, but is not yet reflected in the trading results. Shareholders will increasingly experience the fruits of this investment over the next five years and beyond.

The improved financial and operational performance that Vita Life has achieved has been the result of the energy and commitment of the management and all our staff, led by our Managing Director Mr Eddie Tie. We look forward to the contribution that Mr Danny Tan's appointment as CEO of Malaysia and Singapore will make to the Group.

The Group's performance and strong financial position has enabled the Board to declare a final unfranked dividend of 2.25 cents per share, bringing the full 2015 financial year dividend payout to a record 3.75 cents per share. Underpinning our ability to continue to return cash to shareholders is the very high earnings to cash conversion ratio our business enjoys. As a result of the continued strong performance of Vita Life, we were able to return \$2.6m to shareholders through the combination of dividends and our ongoing share buyback programme.

The 2015 year marked an exciting growth year as it saw several operational highlights.

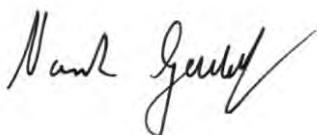
Vita Life enhanced its Senior Management team, positioning the company for the next stage of lifecycle and growth. This has been implemented due to Mr Tie's need to dedicate further time for expansion and consolidation of new businesses across South-East Asia. This focus is essential for Vita Life's rapid growth to continue.

Our impressive Malaysian central facility in Kuala Lumpur has now opened. The new packing plant and laboratory are to be completed and ready by late 2016, providing essential infrastructure to increase customer service and meet more stringent product efficacy pharmaceutical regulations.

On behalf of the Board I would like to thank Mr Andrew O'Keefe, the new CEO of the Australian Herbs of Gold operations. With Andrews's wealth of experience and management competency, the Herbs of Gold business has achieved record revenue and EBIT contributions to the Vita Life Group during 2015. Also the rollout of the "VitaScience" brand in independent pharmacies within Australia is gaining traction with sales budgets being achieved.

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

The Board is greatly encouraged by the continued growth of Vita Life. We are very grateful for Mr Tie and his team's continued enthusiasm for building the business. Given Mr Tie and management's proven performance, I have no doubt we can be confident that we will achieve further positive results and continued steady growth.



**Vanda Gould**

Chairman  
30 March 2016

# Managing Director's Review

Dear Shareholder,

Directors are pleased with the financial results of Vita Life Sciences Limited and its subsidiaries ("the Group"), particularly given the slow start to the year.

For the Group it was a tale of 2 half's, both in terms of revenue and EBIT. After a solid sales result in the 1st half, sales of our products increased in the 2nd half reaching \$38.6m for the full year. EBIT rebounded strongly in the 2nd half to \$3.7m; an increase of 54.2% over the \$2.4m recorded in the 1st half, however was not enough to offset the 1st half, with Group EBIT of \$6.1m being down 11.6% on 2014. Pleasingly the Group continued to generate substantial gross operating cash, \$5.7m; a direct result of strict financial management and discipline.

On the basis of the healthy profit and cash generation, Directors have increased the final dividend to 2.25 cents per share (unfranked) for the 2015 financial year; a total of 3.75 cents per share for the 2015 financial year (2014: 3.5 cents per share).

Other key financial results were:

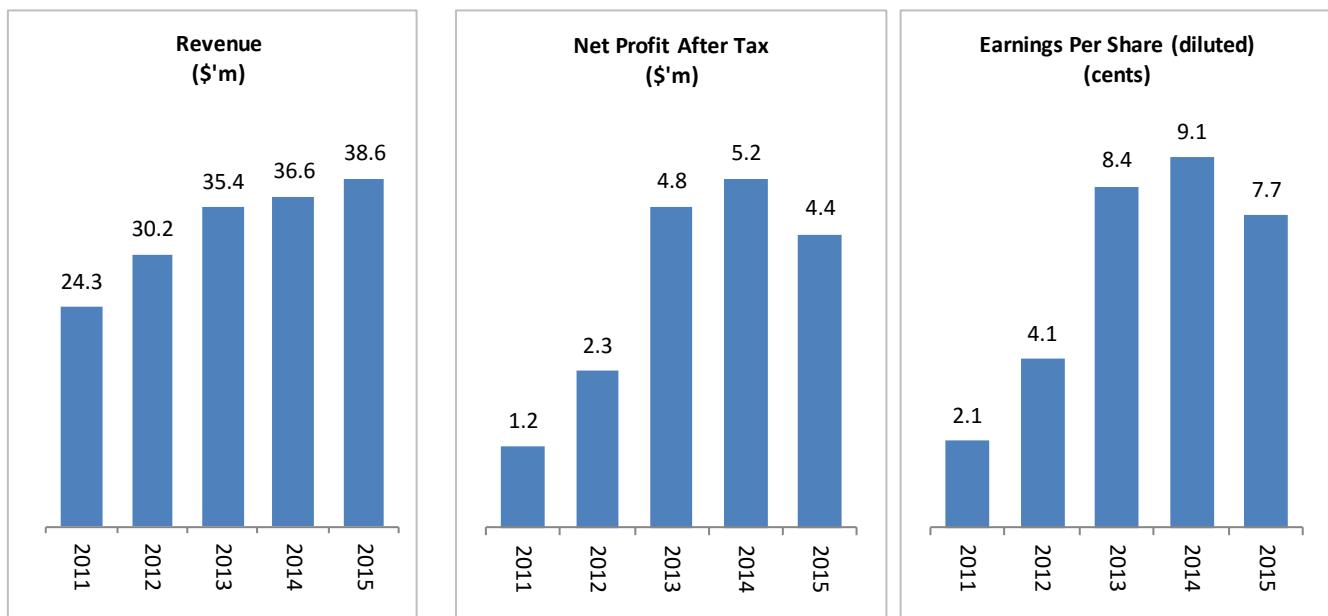
- 8th consecutive year of sales growth since listing on the ASX in 2007
- The Australian business was the Group's standout performer achieving record sales resulting in EBIT increasing to \$3.1m, an increase of 18.8% over 2014.
- Strong cash flow continues to be a strength of the business, with gross operating cashflow of 92% of EBITDA.
- Continued prudent financial management, with the Company maintaining a net cash balance sheet, while:
  - o Returning \$2.6m to shareholders through dividend payments and the share buyback; and
  - o Reducing borrowings associated with the Malaysian central facility to \$2.8m and additional capital investment of \$0.6m in that facility.

An overview of the key markets follows.

## Australia

The financial results from Australian operations were excellent. Revenue increased by 13.8% to \$15.6m which had a favourable impact on EBIT of \$3.1m, up 18.8% on 2014.

**Vita Life Key Financial Performance Data**



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

## Managing Director's Review (continued)

The build-out of the pharmacy brand "VitaScience" through independent pharmacies in Australia continued successfully during 2015. International distribution arrangements for Herbs of Gold brand products were secured during the year and sales expectations have been in line with forecast expectations. The strategy for Australia is unchanged: to maintain our point of differentiation in the Australian healthcare over-the-counter (OTC) market by continuing to exclusively distribute unique premium ingredient product formulations through independent retailers. Management believes this policy positions the Group for long term growth and sustainability in a mature and competitive market.

### **Malaysia**

After a slow start to the year, the performance of the Malaysian OTC business was pleasing, particularly in the second half of 2015. Strong sales momentum in the 2nd half of "Vita Health", considered one of Malaysia's leading OTC health supplement brands, resulted in sales increasing 4.4% to \$14.4m and EBIT of \$1.9m, down on 2014's \$2.6m.

Overall Directors view the Malaysian result as satisfactory given the difficult economic and trading conditions in that country in 2015.

### **Singapore**

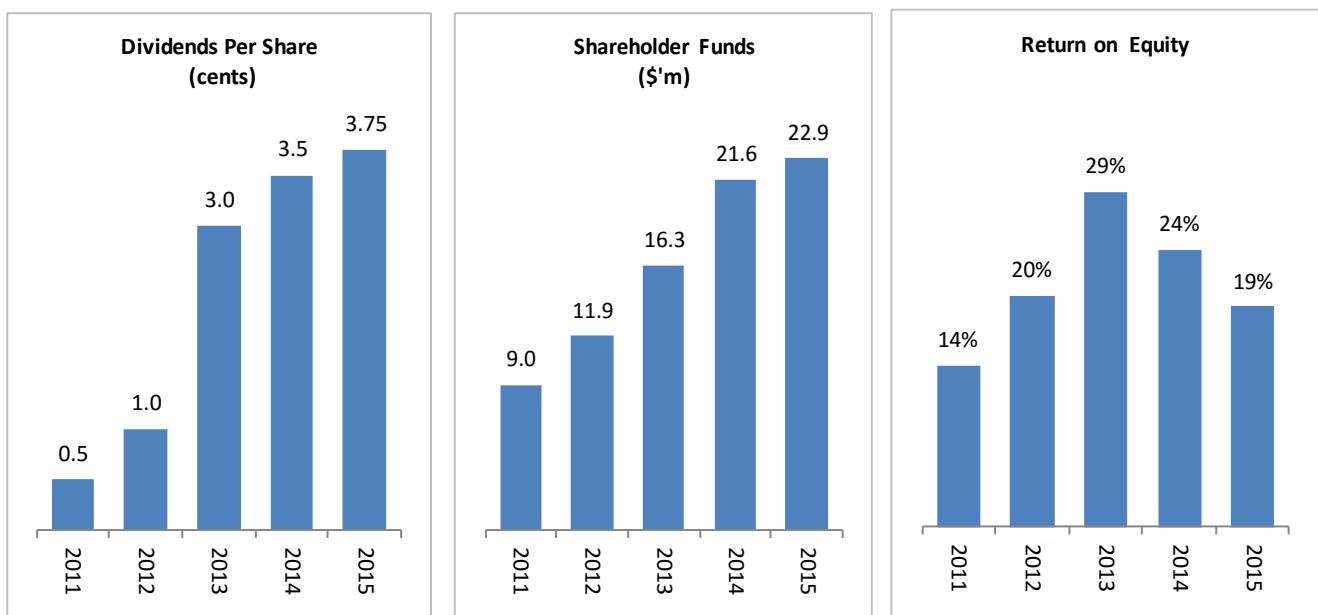
A reinvigorated sales and marketing effort in Singapore led to sales of \$6.3m, up 10.6% on 2014. EBIT of \$2.1m was similar to that achieved in 2014 due to strong competition.

### **Other Asia**

Revenue in the Group's expanding markets, namely China, Malaysia – Multi Level Marketing (MLM), Thailand, Vietnam and Indonesia, contracted to \$2.3m in 2015, or by 32.3% when compared to 2014. The contraction in sales resulted from the planned introduction of a new management team in Thailand and the inability to obtain registration of products in China under its new regulatory regime. The bright light in our expansion markets was Vietnam, which continued on its previously established growth path.

Indonesian operations commenced late in 2015 with initial sales from early 2016.

Vita Life Key Financial Data



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

## Managing Director's Review (continued)

### Strategic Initiatives in 2016

The Board's planned expansion of the Group's Senior Management team with the appointment of two CEO's, Mr Andrew O'Keefe in Australia and Mr Danny Tan in Malaysia and Singapore has been completed. With these key executives in place the Group's Managing Director will focus on bringing our other Asian markets to critical mass.

Strategies to capitalise on the established Australian Asia-Pacific platform continue to be explored. Two key mature market growth initiatives which will continue during 2016 are:

- Build out of the pharmacy brand "VitaScience" through independent pharmacies in Australia
- Build out our Australian health brand "Herbs of Gold" in the Singaporean and Malaysian markets.

### Outlook for 2016

Directors foreshadow the steady growth of recent years to continue in 2016.

Given the Company's diverse operating platform the Directors intend to provide more detailed guidance mid-way through the year.



Eddie L S Tie

Managing Director  
30 March 2016

# Directors' Report

Your Directors submit their report for the year ended 31 December 2015.

## DIRECTORS

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

### Names, qualifications, experience and special responsibilities

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

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

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

Mr Gould lives in Sydney.

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

Mr Tie has over 25 years of experience in hotel and property development, manufacturing and education sectors, including holding key leadership positions as Managing Director and Chief Executive Officer. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of Finance of a publicly listed company in Malaysia. Mr Tie acted as Chairman from October 2013 to May 2014, when Mr Gould resumed the role. Mr Tie continues to serve as the Group's Managing Director.

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

Mr Tie lives in Kuala Lumpur, Malaysia.

**Mr Jonathan J Tooth**  
**Non-Executive Director**  
*B.Ec*

Mr Tooth has spent over 20 years in providing corporate advisory services to ASX listed and unlisted small cap companies. He is presently a Principal of the boutique corporate advisory practice Henslow Pty Ltd.

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

Mr Tooth lives in Melbourne.

**Mr Henry G Townsing**  
**Non-Executive Director**  
*Dip Val*

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

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

Mr Townsing lives in Melbourne.

# Directors' Report (continued)

## Company Secretary

**Ms Monica Jovanov**

*B Com, CPA*

Ms Jovanov joined Vita Life Sciences in 2015 and brings significant experience from finance roles over the past 15 years within ASX listed and leading private corporations across manufacturing, retail, telecommunications, technology and financial services industries. Ms Jovanov is a Certified Practising Accountant and holds a Bachelor of Commerce.

Ms Jovanov lives in Melbourne.

## Interests in the shares of the Company and related bodies corporate

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

Directors	Shareholdings as at Director's report date	
Mr Eddie L S Tie	BI	4,763,500
	NBI	30,000
Mr Vanda R Gould (1)	NBI	1,643,713
Mr Henry G Townsing (2)	BI	15,270
	NBI	1,455,499
Mr Jonathan J Tooth	NBI	226,157

BI: Beneficial Interest

NBI: Non beneficial interest

- (1) The details in respect of the Directors set out above are based on the disclosure made by them to the Company (and in turn given by the Company to the ASX as their agent) during the financial year ended 31 December 2015. On 19 December 2014, Justice Perram delivered his judgement in the case of Hua Wang Bank Berhad v Commissioner of Taxation [2014] FCA 1392 in which he revealed that Director Vanda Gould controlled certain companies that are shareholders of the Company, which would in turn, increase Mr Gould's disclosable interests in the Company. Mr Gould acknowledges he acted as advisor to those companies and their principals, however does not believe he had the requisite control to constitute relevant interests in those companies. Neither the Company nor Mr Gould were listed parties to the subject proceedings nor was Mr Gould a witness in the case. The decision is currently the subject of an appeal to the High Court of Australia. If the key findings are upheld, the number of shares in which Mr Gould had a relevant interest will increase to 10,195,152 at the date of this report.
- (2) Subsequent to 31 December 2015, there has been one change to the Director's interests in shares of the Company with Mr Townsing's non beneficial shareholding reducing by 37,500.

## DIVIDENDS

On 18 February 2016, the Directors declared a final unfranked dividend of 2.25 cents per share totalling \$1,244,000 in respect of the financial year ended 31 December 2015 (2014: unfranked dividend of 2.0 cents per share totalling \$1,129,000), payable on 24 March 2016. An unfranked interim dividend of 1.5 cents per share was paid on 24 September 2015 (2014: unfranked interim dividend of 1.5 cents per share).

## PRINCIPAL ACTIVITIES

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

# Directors' Report (continued)

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Sales grew by 5.5% marking the 8<sup>th</sup> consecutive year of sales growth culminating in Revenue of \$38.6m.

### Financial Performance

- Sales increased by 5.5% from that in 2014
- EBIT margin decreased to 15.8% from 18.8%
- Full year dividend payout increased to 3.75 cents per share
- Group operating performance – Australia strong; Singapore steady and Malaysia rebounded in 2<sup>nd</sup> half

### Financial Position

Financial discipline across the Group has allowed the Group to maintain a net cash balance sheet position while returning \$2.6m to shareholders through dividends and the share buyback program, and further investment of \$1.2m in the new Malaysian central facility.

With a cash balance of \$9.7m, the Group remains in a strong position to take advantage of any future opportunities as they arise.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

### Share Buy-Back

On 25 May 2015, 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 2015, the Company bought back 625,850 shares for total consideration of \$599,517, excluding costs of \$5,994.

### SIGNIFICANT EVENTS AFTER BALANCE DATE

#### Dividends

On 18 February 2016, the Directors declared a final unfranked dividend of 2.25 cents per share totalling \$1,244,000 in respect of the financial year ended 31 December 2015 (2014: unfranked dividend of 2.0 cents per share totalling \$1,129,000), payable on 24 March 2016.

### FUTURE DEVELOPMENTS AND RISKS

The Company's steady growth in recent years is expected to continue in 2016. A major focus for the year will be to further explore and capitalise on the established Australian Asia-Pacific platform. Key mature market growth initiatives which will continue during 2016 are:

- Build out of the pharmacy brand "VitaScience" through independent pharmacies in Australia; and
- Build out the Australian health brand "Herbs of Gold" in the Singaporean and Malaysian markets.

The Board's planned expansion of the Group's Senior Management team with the appointment of CEO's, Mr Andrew O'Keefe in Australia and Mr Danny Tan in Malaysia and Singapore has been completed. With these key executives in place the Group's Managing Director will focus on the following initiatives to bring Vita Life's other Asian markets to critical mass and to drive new markets:

- China: Regulatory hurdles to be navigated;
- Thailand: Introduction of new management team to address product positioning in changing market conditions;
- Vietnam: Expanding product lines and build out of staff;
- Malaysian Multi-Level Marketing (MLM): Upgrade of training and meeting facilities in Malaysian headquarters is expected to add significantly to the stature of the MLM business and attract skilled staff; and
- Indonesia: Operations commenced in 2015.

The Malaysian central facility will increase the Company's operational capabilities by:

- On-site new packing plant enabling the Company to increase customer service;
- On-site laboratory positions the Company to meet more stringent product efficacy pharmaceutical regulations associated with the inception of the ASEAN free trade agreement;
- State of the art training centre providing an education focal point for staff and customers alike; and
- Technologically and aesthetically improved office and meeting spaces enhancing staff productivity and interactions with visitors.



## Directors' Report (continued)

### FUTURE DEVELOPMENTS AND RISKS (CONTINUED)

The Board has continued confidence in the Company's strategies, in the capability of the team and in the strength of the brands within the Group, and are committed to growing the business and delivering improved shareholder returns in the coming year.

The Company is also wary of the potential challenges ahead including the continued need to satisfy consumers and meet high quality standards. The Directors have identified the following business risks which may impact on the future performance of the Group:

#### *Competition*

To date, Vita Life has demonstrated that it can compete effectively in the healthcare market in both Australia and Asia. The healthcare industry is very competitive and characterised by many companies supplying much of the global market requirements. Vita Life's reputation for high quality and service mitigates this risk.

#### *Currency and Exchange Rate Fluctuations*

The financial contribution of the Group will depend on the movement in exchange rates between the Australian dollar and a number of other foreign currencies. The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have an adverse impact on the Group's operating results and financial position. The Group does not enter into forward exchange contracts to hedge its anticipated purchase and sale commitments denominated in foreign currencies.

#### *Regulatory*

Future expansion of the Company's range of products and services may be governed by regulatory controls in each target market and the Company cannot guarantee that approvals in all target markets will be obtained in the future. The Company's products are required to be registered with the relevant regulatory bodies in each country or relevant jurisdiction. If for any reason such product registrations are delayed, withdrawn or are cancelled, it may have an effect on the sales of products which rely on them in the relevant country or countries.

### INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

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

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

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

The total amount of insurance contract premiums paid was \$17,000 (2014: \$17,000).

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

### ENVIRONMENTAL REGULATIONS

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

# Directors' Report (continued)

## DIRECTORS' MEETING

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

Director	Board Meetings		Audit Committee Meetings		Board Nomination Committee		Remuneration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Vanda R Gould	11	9	3	3	1	1	1	1
Mr Eddie L S Tie	11	11	*	*	*	*	*	*
Mr Henry G Townsing	11	11	*	*	1	1	1	1
Mr Jonathan J Tooth	11	10	3	3	*	*	*	*

\* Not a member of the committees.

## AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

	\$'000
Tax compliance services	14
Share registry services	39
<b>TOTAL</b>	<b>53</b>

## ROUNDING OFF

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

## INVESTMENT AND BUSINESS RISK MANAGEMENT

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

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

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

# Directors' Report (continued)

## SHAREHOLDING BY DIRECTORS AND EXECUTIVES

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

- From a Director in the case an employee;
- From an Executive Director in the case of the Chairman; or
- From the Chairman, in the case of Directors.

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

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

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

## ETHICAL STANDARDS

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

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

# Directors' Report (continued)

## REMUNERATION REPORT (Audited)

The Remuneration report outlines Directors and Executives remuneration arrangements of the Company and the Group and the remuneration disclosures required in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" encompasses the Chief Executive/Managing Director, Senior Executives, General Managers and Secretaries of the parent and the Group.

### Remuneration committee

The Remuneration Committee comprised Mr Gould, Chairman of the Remuneration Committee, and Mr Townsing during the financial year. The Remuneration Committee is responsible for:

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

Total remuneration for all existing non-executive Directors during the financial year was \$76,000. These fees are within the aggregate remuneration of \$100,000 for all non-executive Directors as approved by shareholders at the Annual General Meeting held on 6 July 2006.

### Remuneration philosophy

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

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

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to the performance of the Company and the creation of shareholders' value;
- Have a significant portion of executive remuneration "at risk"; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

### Remuneration structure

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

#### Non-executive director remuneration

##### Objective

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

##### Structure

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

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

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

# Directors' Report (continued)

## REMUNERATION REPORT (CONTINUED)

### Executive remuneration

#### *Objective*

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

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

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

#### *Structure*

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

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits); and
- Variable remuneration
  - o Short term incentive; and
  - o Long term incentive.

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

#### *Fixed Remuneration*

##### Objective

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

##### Structure

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

#### *Variable remuneration - Short Term Incentive ("STI")*

##### Objective

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

##### Structure

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

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

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

# Directors' Report (continued)

## REMUNERATION REPORT (CONTINUED)

### Executive remuneration (continued)

#### *Variable remuneration – Long Term Incentives*

##### Objective

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

The plan was implemented in 2014 and at the date of this report the Company had allocated 1,922,500 plan shares equivalent to 3.4% of the Company's capital. The principal terms and conditions of the Plan are:

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

### Employment contracts

#### *Managing Director*

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

The principal terms of Mr Tie's contract are:

- Fixed remuneration of RM514,800 (including superannuation) or AUD \$176,066 at the prevailing exchange rates for the year ended 31 December 2015. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr Tie is entitled to receive Plan shares subject to shareholders' approval. Refer to Note 24, Share Based Payment Plans of the financial statements for information on Plan shares issued to Mr Tie.
- Mr Tie may be entitled to receive a bonus on achieving certain benchmarks and targets.
- The Company may terminate Mr Tie's employment agreement by providing 6 months' written notice. Mr Tie may resign by providing three months' written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.
- Mr Tie is entitled to a redundancy payment equivalent to 12 months of his remuneration if any of the following events occur:
  - o The Company ceases its control or ownership of any of the established business units;
  - o More than 50% of Directors retire or those who retire sell more than 50% of their shares in the Company;
  - o A change in control of the Company resulting in Mr Tie reporting to another entity or other parties; or
  - o A shareholder gains Board representation and the Group business plan changes substantially.

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

#### *Other Executives (standard contracts)*

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

# Directors' Report (continued)

## REMUNERATION REPORT (CONTINUED)

### Employment contracts (continued)

#### *Related Parties*

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

### Remuneration of Key Management Personnel (Audited)

Table 1: Remuneration for the year ended 31 December 2015

2015	Short term employee benefits			Long term employee benefits	Post employment benefits		Total	Performance rated %
	Salary & Fees	Bonus	Share based payments		Superannuation			
<b>Directors</b>								
Mr Vanda R Gould	30,000	-	-	-	-	-	30,000	n/a
<b>Non-Executive Chairman</b>								
Mr Eddie L S Tie								
Managing Director								
<i>Mr Tie's remuneration is comprised of:</i>								
- Employment contract	135,435	-	28,520	-	40,631	204,586	14%	
- Related party services (1)	493,175	-	-	-	-	493,175	n/a	
Mr Henry G Townsing								
Non-Executive Director	23,000	-	71,300	-	-	94,300	n/a	
Mr Jonathan J Tooth	23,000	-	-	-	-	23,000	n/a	
Non-Executive Director								
<b>Total Directors Compensation (2)</b>	<b>704,610</b>	-	<b>99,820</b>	-	<b>40,631</b>	<b>845,061</b>	<b>12%</b>	
<b>Key Management Personnel</b>								
Mr Edmund E M Sim	258,261	42,766	55,250	-	13,991	370,268	26%	
Senior General Manager - Asian Business and Regulatory Affairs								
Mr Andrew O'Keefe	254,216	35,000	38,286	300	18,783	346,585	21%	
CEO - Australia								
Ms Michelle Koh (3)	140,056	20,520	47,493	-	37,154	245,223	28%	
Senior Vice President - Malaysia MLM								
Dr Koay Suat Ling	85,981	15,254	-	-	23,378	124,613	12%	
General Manager - Business and Product Development								
Mr Tanakorn Chalermjiripas (4)	65,476	4,868	27,200	-	-	97,544	33%	
General Manager - Thailand								
<b>Total Key Management Compensation</b>	<b>803,990</b>	<b>118,408</b>	<b>168,229</b>	<b>300</b>	<b>93,306</b>	<b>1,184,233</b>	<b>24%</b>	
<b>Grand total</b>	<b>1,508,600</b>	<b>118,408</b>	<b>268,049</b>	<b>300</b>	<b>133,937</b>	<b>2,029,294</b>	<b>19%</b>	

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

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

(3) Ms Koh became a member of key management personnel during 2015 due to her extensive duties and responsibilities.

(4) Mr Chalermjiripas resigned as General Manager – Thailand on 30 September 2015.

# Directors' Report (continued)

## REMUNERATION REPORT (Continued)

**Table 2: Remuneration for the year ended 31 December 2014**

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

- (1) Mr Tie's related company Business Intelligence & Support Inc. received consulting fees during the financial year, as disclosed at Note 20(c).
- (2) Refer to Note 20 for transactions with companies related to Directors.
- (3) Dr Koay was appointed General Manager – Business & Product Development on 1 January 2014.
- (4) Mr Andrew O'Keefe was appointed as CEO Australia on 29 October 2014.

# Directors' Report (continued)

## REMUNERATION REPORT (CONTINUED)

### Equity holdings and transactions

The number of ordinary shares in the Company held by each specified Director or specified executive, including their personally-related entities, during the 2015 and 2014 financial years are as follows:

#### 2015

		At 01 January 2015	Purchases	LTIP Shares: Allotted / (Cancelled) <sup>1</sup>	Disposal	At 31 December 2015 <sup>3</sup>
<b>DIRECTORS</b>						
Mr Eddie L S Tie	Beneficial interest	4,330,500	33,000	400,000	-	4,763,500
	Non beneficial interest	30,000	-	-	-	30,000
Mr Vanda R Gould	Non beneficial interest <sup>2</sup>	1,603,713	40,000	-	-	1,643,713
Mr Henry G Townsing	Beneficial interest	15,270	-	-	-	15,270
	Non beneficial interest	492,999	-	1,000,000	-	1,492,999
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
<b>KEY MANAGEMENT PERSONNEL</b>						
Mr Edmund E M Sim <sup>4</sup>	Beneficial interest	433,810	8,000	(162,500)	-	279,310
Ms Michelle Koh <sup>5</sup>	Beneficial interest	160,000	80,000	(80,000)	-	160,000
Mr Andrew O'Keefe	Beneficial interest	-	-	200,000	-	200,000
Dr Koay Suat Ling	Beneficial interest	35,517	-	-	(33,000)	2,517
Mr Tanakorn Chalermjiripas <sup>6</sup>	Beneficial interest	160,000	-	(80,000)	-	80,000

#### 2014

		At 01 January 2014	Purchases	LTIP Shares: Allotted / (Cancelled)	Disposal	At 31 December 2014
<b>DIRECTORS</b>						
Mr Eddie L S Tie	Beneficial interest	4,830,500	-	-	(500,000)	4,330,500
	Non beneficial interest	30,000	-	-	-	30,000
Mr Vanda R Gould	Non beneficial interest <sup>2</sup>	1,603,713	-	-	-	1,603,713
Mr Henry G Townsing	Beneficial interest	-	15,270	-	-	15,270
	Non beneficial interest	479,999	13,000	-	-	492,999
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
<b>KEY MANAGEMENT PERSONNEL</b>						
Mr Edmund E M Sim	Beneficial interest	162,500	-	325,000	(53,690)	433,810
Mr Tanakorn Chalermjiripas <sup>6</sup>	Beneficial interest	-	-	160,000	-	160,000
Dr Koay Suat Ling	Beneficial interest	635,517	-	-	(600,000)	35,517

<sup>1</sup> Refer to Note 24 to the financial statements for details of Long Term Incentives.

<sup>2</sup> The details in respect of the Directors set out above are based on the disclosure made by them to the Company (and in turn given by the Company to the ASX as their agent) during the financial year ended 31 December 2015. On 19 December 2014, Justice Perram delivered his judgement in the case of Hua Wang Bank Berhad v Commissioner of Taxation [2014] FCA 1392 in which he revealed that Director Vanda Gould controlled certain companies that are shareholders of the Company, which would in turn, increase Mr Gould's disclosable interests in the Company. Mr Gould acknowledges he acted as advisor to those companies and

# Directors' Report (continued)

## REMUNERATION REPORT (CONTINUED)

their principals, however does not believe he had the requisite control to constitute relevant interests in those companies. Neither the Company nor Mr Gould were listed parties to the subject proceedings nor was Mr Gould a witness in the case. The decision is currently the subject of an appeal to the High Court of Australia. If the key findings are upheld, the number of shares in which Mr Gould had a relevant interest as at 31 December 2015 will increase to 10,195,152 (2014: increase to 10,155,152).

- 3 Any Directors or Key Management Personnel as disclosed in the remuneration tables at pages 16 or 17 who are not explicitly referenced in the tables above did not hold any ordinary shares in the Company for the periods shown.
- 4 Mr Sim's 162,500 shares granted through the Company's Long term incentive plan vested, which incidentally lapsed and were cancelled, as Mr Sim did not purchase them by the expiry date.
- 5 Ms Koh's 80,000 shares granted through the Company's Long term incentive plan vested, and were exercised during the period.
- 6 80,000 of Mr Chalermjiripas' Long Term Incentive Plan Shares were cancelled during 2015, as the 2014 financial year performance hurdle was not met. The final shareholding disclosed for Mr Chalermjiripas is at the date of his resignation on 30 September 2015.

### Long Term Incentive Plan Shares

The following table discloses the details of Long Term Incentive Plan Shares on issue to Directors and Key Management Personnel as at 31 December 2015.

#### 2015

	Number of LTIP Shares on issue	Fair value at grant date	Exercise price per LTIP share	Amount Payable	Term	Expiry Date	Performance Hurdle
<b>Directors</b>							
Mr Eddie Tie	160,000	\$0.33	\$1.50	\$240,000	2.0 years	30 June 2017	Cumulative PBT of VSC (exc investment division) for the 2 years ending 31 December 2015 and 31 December 2016 being not less than \$16,000,000
Mr Eddie Tie	240,000	\$0.39	\$1.60	\$384,000	3.0 years	30 June 2018	Cumulative PBT of VSC (exc investment division) for 3 years ending 31 December 2015, 31 December 2016 and 31 December 2017 being not less than \$25,000,000
Mr Henry Townsing	400,000	\$0.33	\$1.50	\$600,000	2.0 years	30 June 2017	Cumulative PBT of VSC (exc investment division) for the 2 years ending 31 December 2015 and 31 December 2016 being not less than \$16,000,000
Mr Henry Townsing	600,000	\$0.39	\$1.60	\$960,000	3.0 years	30 June 2018	Cumulative PBT of VSC (exc investment division) for 3 years ending 31 December 2015, 31 December 2016 and 31 December 2017 being not less than \$25,000,000
<b>Key Management Personnel</b>							
Mr Edmund E M Sim	162,500	\$0.85	\$1.20	\$195,000	2.5 years	30 June 2016	Cumulative PBT of Group's Asian operations for years ending 31 December 2014 and 31 December 2015 exceeds RM23,500,000
Ms Michelle Koh	80,000	\$0.85	\$1.20	\$96,000	2.5 years	30 June 2016	Cumulative PBT of Malaysia's MLM business for 2 years ending 31 December 2015 exceeds RM900,000
Mr Andrew O'Keefe	200,000	\$0.67	\$1.60	\$320,000	3.5 Years	30 June 2018	Cumulative PBT of HoG AU for 3 years ending 31 December 2015, 31 December 2016 and 31 December 2017 exceeds \$13,600,000
<b>Total</b>	<b>1,842,500</b>			<b>\$2,795,000</b>			

## Directors' Report (continued)

### REMUNERATION REPORT (Continued)

#### Options granted to Directors and Senior Management as compensation

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

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Eddie L S Tie'.

**Eddie L S Tie**  
Managing Director  
30 March 2016



30 March 2016

## Russell Bedford NSW

*Chartered Accountants*

ABN 74 632 161 298  
Level 29, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia

**T:** +61 2 9032 3000  
**F:** +61 2 9251 1275  
**E:** mail@rbnsw.com.au  
**W:** www.rbnsw.com.au

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

Dear Directors,

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

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

As lead auditor for the audit of the financial statements of Vita Life Sciences Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely  
RUSSELL BEDFORD NSW  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "Stephen Fisher".

STEPHEN FISHER  
Partner

# Corporate Governance Statement

The policies and practices of the Company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations (3rd Edition)" (ASX Guidelines) unless otherwise stated. Key disclosures as required under the Corporate Governance Principles and Recommendations are outlined in the Company's Appendix 4G, which has been released together with this Annual Report, with disclosures included either in this Corporate Governance Statement or on the Company's website. These documents are available at [www.vitalifesciences.com](http://www.vitalifesciences.com) under the "Investors" section (under Corporate Governance).

The Directors of Vita Life Sciences Limited are responsible for the corporate governance of the Vita Life Group ("Group"). The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Corporate Governance Statement below has been set out using the same headings used in the ASX Guidelines. The Corporate Governance Statement is current at the date of approval of this Annual Report and has been approved by the Board.

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

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

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### BOARD ROLE & RESPONSIBILITIES (PRINCIPLE 1.1)

Principle 1.1 recommends that listed entities should disclose the respective roles and responsibilities of its Board and management, including matters expressly reserved to the Board and those delegated to management. The Company has adopted a Board Charter, a copy of which it makes publicly available on its website, which outlines the principle functions of the Company's Board.

The Company's Constitution requires a minimum of three Directors and a maximum of nine Directors. As at 31 December 2015, there were three non-executive Directors and one executive Director, in conformity with the Company's policy that the Board has a majority of non-executive Directors. The terms and conditions of appointment and retirement of Directors are set out in the Company's Constitution. The Board believes that its membership should have enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

#### Board role and responsibilities

The Board is responsible to shareholders and investors for the Group's overall corporate governance. The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

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

### DIRECTORS' APPOINTMENT (PRINCIPLE 1.2)

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

# Corporate Governance Statement (Continued)

Vita Life Sciences undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders, and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

## TERMS OF APPOINTMENT (PRINCIPLE 1.3)

The term of appointment for each non-executive director of the Company shall be the period commencing on appointment and expiring when the director is next required to stand for election by the shareholders, or a period of 3 years, whichever is the lesser. At each AGM of the Company, subject to ASX Listing Rule 14.4, at least one director must retire from office, excluding 1) a Director who is a Managing Director; and 2) a Director appointed by the Directors under rule 9.1 (b) of the Company's Constitution and is standing for election. Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described for Principle 1.6). The Board Nomination Committee conducts a peer review of those Directors during the year in which that Director will become eligible for re-election. The Company has a written agreement with each Director and Senior Executive setting out the terms of their appointment. Further details of key executive terms are outlined in the Remuneration Report.

## COMPANY SECRETARY (PRINCIPLE 1.4)

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board.

## DIVERSITY POLICY (PRINCIPLE 1.5)

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

The Company is required to report on matters relating to diversity, in particular Board diversity. The Company has a formal diversity policy, setting out a number of broad objectives:

- Introduce processes to ensure that diversity commitments are implemented appropriately;
- Implement processes to ensure transparency in the selection of qualified employees, senior management and Board candidates with regard to Company's diversity profile and objectives;
- Ensure that recruitment strategies allow the Company to maximise its opportunities to target diverse and appropriately qualified employees and that selection committee members understand the importance of diversity;
- Develop clear criteria on behavioural expectations in relation to promoting diversity;
- Recognise and cater for employees that may have special requirements (such as family member responsibilities) as part of the Company's overall diversity objectives;
- Consider whether the work environment is likely to attract a diversity of individuals; and
- Facilitate a corporate culture that embraces diversity and recognises employees at all levels have responsibilities outside of the workplace.

The Board has set the following measurable objectives for achieving gender diversity:

- Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;
- Select new staff, development, promotion and remuneration based solely on performance and capability; and
- Annually assess gender diversity performance against objectives set by the Remuneration Committee.

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

# Corporate Governance Statement (Continued)

The proportion of women employees in various positions in the Group as at 31 December 2015 are as follows:

	2015	2014
<b>Whole organisation</b>	89%	90%
<b>Senior Executives</b>	75%	72%
<b>Board of Directors</b>	0%	0%

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

## BOARD & COMMITTEE PERFORMANCE (PRINCIPLE 1.6)

The Chairman conducts a review of Board and Committee Performance at least once each calendar year. Matters covered in the annual performance review include:

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

## SENIOR EXECUTIVE PERFORMANCE (PRINCIPLE 1.7)

Vita Life's processes require that reviews be undertaken in respect to all staff at least annually for the purpose of reviewing activities and setting key focus areas, goals and targets for the coming year. All Senior Executives participated in the review process in the financial year in accordance with the process.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### NOMINATION COMMITTEE (PRINCIPLE 2.1)

The Board Nomination Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website. The Board Nomination Committee performs review procedures to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board is responsible for:

- Developing and reviewing policies on Board composition, strategic function and size;
- Performance review process of the Board, its Committees and individual Directors;
- Developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- Developing eligibility criteria for nominating Directors;
- Recommending appointment of Directors of the Board;
- Reviewing Director independence; and
- Succession planning for the Board.

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

### BOARD COMPOSITION (PRINCIPLES 2.2 & 2.3)

The Company's Board comprises a majority of non-executive Directors. The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of Director backgrounds is contained within the Directors' Report.

In addition to the information outlined on pages 7-8, Table 1 below sets out specific relevant skills and experience of the Board collectively.

# Corporate Governance Statement (Continued)

**Table 1 - Areas of competence and skills of the Board of Directors**

Area	Competence
<b>Leadership</b>	Business leadership, public listed company experience
<b>Business &amp; Finance</b>	Accounting, business strategy, competitive business analysis, corporate financing, legal, mergers & acquisitions, commercial agreements, risk management
<b>Market &amp; Industry</b>	Healthcare industry expertise
<b>Healthcare Products</b>	Product development, product life cycle management, product formulation
<b>Sustainability &amp; Stakeholder Management</b>	Corporate governance, human resources, remuneration
<b>International</b>	International business management, International geographical experience

## DIRECTOR INDEPENDENCE (PRINCIPLE 2.4)

Using the criteria recommended by the ASX Guidelines, all three of the Company's non-executive Directors (Mr Gould, Mr Townsing, and Mr Tooth) are independent Directors. Any change in Director's interest is disclosed in accordance with ASX Listing Rules. The Company's policies allow Directors to seek independent advice at the Company's expense.

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds.

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

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

## INDEPENDENCE OF CHAIRMAN (PRINCIPLE 2.5)

The Chairman of the Board, Mr Gould who has held the role of Chairman since May 2014, is an independent non-executive Director and there is a clear division of responsibility between the Chairman and the CEO/Managing Director. Mr Gould holds approximately 2.9% of the Company's Shares.

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

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

## DIRECTOR INDUCTION & TRAINING (PRINCIPLE 2.6)

New Directors receive a letter of appointment and a deed of access and indemnity. The letter of appointment outlines ASX's expectations of Directors with respect to their participation, time commitment and compliance with ASX policies and regulatory requirements. An induction process for incoming directors is coordinated by the Company Secretary. The Board receives regular updates at Board meetings, industry workshops, meetings with customers and site visits. These assist Directors to keep up-to-date with relevant market and industry developments.

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### CODE OF CONDUCT (PRINCIPLE 3.1)

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

# Corporate Governance Statement (Continued)

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

The Company has a Code of Conduct which is published on its website. The Code is reviewed annually and updated where appropriate.

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company. In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### AUDIT COMMITTEE (PRINCIPLE 4.1)

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the external audit function. The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at [www.vitalifesciences.com](http://www.vitalifesciences.com).

The Audit and Risk Committee comprises two Directors, who are non-executive Directors. The non-executive Directors are Mr Vanda Gould, Chairman of the Audit Committee and Mr Jonathan Tooth. The qualifications of the committee are located in the Directors Report. The Audit Committee's responsibilities include:

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

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

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

The Audit and Risk Committee monitors and reviews:

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

# Corporate Governance Statement (Continued)

## MANAGING DIRECTOR & CFO ASSURANCE (PRINCIPLE 4.2)

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

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

## AUDITOR ATTENDANCE (PRINCIPLE 4.3)

The Company's external auditor, Russell Bedford NSW, has and will continue to attend the Annual General Meeting in order to be available to answer questions from security holders relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board governs how the Company communicates with shareholders and the market. Shareholders are encouraged to participate in general meetings. The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

### INVESTOR RELATIONS (PRINCIPLES 6.1 – 6.4)

The Company has developed a framework for communicating with shareholders which has been followed during the financial year, as outlined in its Shareholder Communications Policy. Where possible and practical, the Company communicates with Shareholders using its website and email.

This policy includes provision for communications by the Company to:

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

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

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Vita Life. The Group commits to facilitating shareholder participation in shareholder meetings, and dealing with shareholder inquiries.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### RISK COMMITTEE (PRINCIPLE 7.1)

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures. The Company recognises four main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, investor sentiment and world events;
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events;

## Corporate Governance Statement (Continued)

- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities.

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

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

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

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

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

### RISK MANAGEMENT FRAMEWORK (PRINCIPLE 7.2)

The Board has required management to design and implement a risk management and internal control system to identify and manage the Group's material business risks and to report to it on whether those risks are being managed effectively. The Board reviewed the Company's risk management framework in this financial year to satisfy itself that the framework continues to be sound.

### INTERNAL AUDIT (PRINCIPLE 7.3)

Assurance is provided to the Board by senior Management on the adequacy and effectiveness of management controls for risk. The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The Group does not currently have any internal audit function. The Board considers that at the Company's current stage of growth and size there is no particular benefit to appointing internal audit and in the alternative seeks independent advice as it considers appropriate. In all other respects, the Company complies with the recommendations set out in Principle 7.

### RISK MANAGEMENT (PRINCIPLE 7.4)

The Company monitors its exposure to all risks, including economic, environmental and social sustainability risks. Material business risks are described in the Director's report, which also outlines the Company's activities, performance during the year, financial position and main business strategies. This specific report and the Annual Report overall provide further details about how the Group manages its economic, environmental and social sustainability risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### REMUNERATION COMMITTEE (PRINCIPLE 8.1)

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

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

## Corporate Governance Statement (Continued)

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel. The Board does not comply with the ASX requirement to have at least 3 members on the Committee. The Board believes that the combined experience that Mr Gould and Mr Townsing possess adequately mitigates this requirement.

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

### **REMUNERATION POLICIES (PRINCIPLES 8.2 – 8.3)**

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

The Company does offer an equity based remuneration scheme to executives and staff. The Long Term Incentive Plan ("Plan") and Mr Tie's participation in the Plan as a Director of the Company were approved by shareholders at the Annual General Meetings held on 31 May 2007, 21 May 2009, 20 May 2010 and 16 May 2012 in Melbourne.

The Plan was refreshed at the 2014 Annual General Meeting held in Sydney on 22 May 2014, and includes Mr Tie and Mr Townsing's participation as Directors. The purpose of the Plan is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the Plan will require shareholders' approval in accordance with the ASX Listing Rules.

Participants of this Plan are not permitted to enter into transactions (whether through the use of derivatives, hedging or otherwise) which limit the economic risk of participating in this Plan.



**2015  
Financial Report**

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015	Notes	2015 \$'000	2014 \$'000
<b>CONTINUING OPERATIONS</b>			
Sale of goods		38,584	36,580
Cost of sales		(11,430)	(10,538)
<b>Gross profit</b>		<b>27,154</b>	<b>26,042</b>
Other income	5 (a)	37	171
Distribution expenses		(3,470)	(2,982)
Marketing expenses		(2,960)	(2,639)
Occupancy expenses		(893)	(845)
Administrative expenses	5 (b)	(13,506)	(12,650)
Other expenses	5 (c)	(254)	(212)
Share of associate's loss		(13)	(3)
<b>Profit from continuing operations before interest and taxes</b>		<b>6,095</b>	<b>6,882</b>
Finance income	5 (d)	161	174
Finance costs	5 (e)	(254)	(131)
<b>Profit before income tax</b>		<b>6,002</b>	<b>6,925</b>
Income tax benefit / (expense)	7	(1,651)	359
<b>Net profit for the year</b>		<b>4,351</b>	<b>7,284</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		(690)	415
Other comprehensive income (loss) for the year, net of income tax		(690)	415
<b>Total comprehensive income for the year</b>		<b>3,661</b>	<b>7,699</b>
Net profit/(loss) for the year attributable to:			
Non-controlling interest		(40)	4
Members of the parent		4,391	7,280
		<b>4,351</b>	<b>7,284</b>
Total comprehensive income attributable to:			
Non-controlling interest		(6)	2
Members of the parent		3,667	7,697
		<b>3,661</b>	<b>7,699</b>
<b>Earnings per share (cents per share)</b>			
- basic earnings per share	6	7.89	12.98
- diluted earnings per share	6	7.69	12.84

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

# Consolidated Statement of Financial Position

As at 31 December 2015	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	9,734	9,158
Trade and other receivables	9	6,482	6,041
Inventories	10	6,593	5,012
Other assets	11	715	598
<b>Total Current Assets</b>		<b>23,524</b>	<b>20,809</b>
<b>Non Current Assets</b>			
Other assets	11	5	-
Investment in associates	12	937	1,044
Property, plant and equipment	13	7,629	6,910
Intangible assets	14	86	97
Deferred tax assets	7	207	1,411
<b>Total Non Current Assets</b>		<b>8,864</b>	<b>9,462</b>
<b>Total Assets</b>		<b>32,388</b>	<b>30,271</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	5,785	4,312
Interest bearing loans and borrowings	16	243	260
Current tax liability		178	439
Provisions	17	663	523
<b>Total Current Liabilities</b>		<b>6,869</b>	<b>5,534</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liability	7	21	9
Interest bearing loans and borrowings	16	2,567	3,094
Provisions	17	55	69
<b>Total Non Current Liabilities</b>		<b>2,643</b>	<b>3,172</b>
<b>Total Liabilities</b>		<b>9,512</b>	<b>8,706</b>
<b>Net Assets</b>		<b>22,876</b>	<b>21,565</b>
<b>EQUITY</b>			
Contributed equity	18	44,911	45,429
Accumulated losses		(21,863)	(24,307)
Employee share based payments reserve	19	958	704
Foreign currency translation reserve	19	(1,180)	(357)
<b>Parent entity interest</b>		<b>22,826</b>	<b>21,469</b>
Non-controlling interest		<b>50</b>	<b>96</b>
<b>Total Equity</b>		<b>22,876</b>	<b>21,565</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015	Notes	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		42,341	38,971
Payments to suppliers and employees		(36,579)	(31,951)
Income tax paid		(835)	(1,019)
Interest received		161	174
Borrowing costs		(165)	(60)
<b>Net cash flows provided by operating activities</b>	8	<b>4,923</b>	<b>6,115</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		20	-
Purchase of property, plant and equipment		(879)	(6,778)
<b>Net cash flows used in investing activities</b>		<b>(859)</b>	<b>(6,778)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from external borrowings		2,811	3,375
Repayment of external borrowings		(3,355)	(21)
Proceeds from issue of shares		88	-
Dividends Paid		(1,947)	(1,964)
Shares bought back (net of costs)		(606)	(671)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>(3,009)</b>	<b>719</b>
Net increase in cash and cash equivalents		1,055	56
Net foreign exchange differences		(479)	129
Cash and cash equivalents at beginning of the year		9,158	8,973
<b>Cash and cash equivalents at end of the year</b>	8	<b>9,734</b>	<b>9,158</b>

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

# Consolidated Statement of Changes in Equity

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non-controlling Interest \$'000	Total \$'000
<b>Balance at 1 January 2015</b>		45,429	704	(24,307)	(357)	21,469	96	<b>21,565</b>
<b>Comprehensive income</b>								
Profit attributable to members of parent entity		-	-	4,391	-	4,391	(40)	<b>4,351</b>
Other comprehensive income (loss) for the year		-	-	-	(823)	(823)	(6)	<b>(829)</b>
<b>Total comprehensive income for the year</b>		-	-	4,391	(823)	3,568	(46)	<b>3,522</b>
<b>Transactions with owners, in their capacity as owners</b>								
Shares bought back		(606)	-	-	-	(606)	-	<b>(606)</b>
Repayment of loans on Employee share option scheme		88	-	-	-	88	-	<b>88</b>
Employee share option scheme		-	254	-	-	254	-	<b>254</b>
Dividends paid	18(d)	-	-	(1,947)	-	(1,947)	-	<b>(1,947)</b>
<b>Total transactions with owners</b>		(518)	254	(1,947)	-	(2,211)	-	<b>(2,211)</b>
<b>Balance at 31 December 2015</b>		<b>44,911</b>	<b>958</b>	<b>(21,863)</b>	<b>(1,180)</b>	<b>22,826</b>	<b>50</b>	<b>22,876</b>

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

## Consolidated Statement of Changes in Equity (Continued)

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non-controlling Interests \$'000	Total \$'000
<b>Balance at 1 January 2014</b>		46,100	472	(29,623)	(770)	16,179	90	<b>16,269</b>
<b>Comprehensive income</b>								
Profit attributable to members of parent entity		-	-	7,280	-	7,280	4	<b>7,284</b>
Other comprehensive income for the year		-	-	-	413	413	2	<b>415</b>
<b>Total comprehensive income for the year</b>		-	-	7,280	413	7,693	6	<b>7,699</b>
<b>Transactions with owners, in their capacity as owners</b>								
Shares bought back		(671)	-	-	-	(671)	-	<b>(671)</b>
Employee share option scheme		-	232	-	-	232	-	<b>232</b>
Dividends paid	18(d)	-	-	(1,964)	-	(1,964)	-	<b>(1,964)</b>
<b>Total transactions with owners</b>		(671)	232	(1,964)	-	(2,403)	-	<b>(2,403)</b>
<b>Balance at 31 December 2014</b>		<b>45,429</b>	<b>704</b>	<b>(24,307)</b>	<b>(357)</b>	<b>21,469</b>	<b>96</b>	<b>21,565</b>

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

# Notes to the Financial Statements

For the Year Ended 31 December 2015

## 1 Corporate Information

The financial report of Vita Life Sciences Limited for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on the date of this report.

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

## 2 Summary of significant accounting policies

### (a) Basis of preparation

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

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

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

### (b) Statement of compliance

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

### (c) Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries as at 31 December 2015. Interests in associates are equity accounted and are not part of the consolidated group. The Group considers an entity a subsidiary when the Group is exposed to or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by Vita Life Sciences Limited are accounted for at cost in the separate financial statements of the parent entity.

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (d) Business combinations

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

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

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

### (e) Foreign currency translation

#### (i) Functional and presentation currency

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

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

#### (ii) Transactions and balances

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

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

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

### (f) Cash and cash equivalents

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (g) Trade and other receivables

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

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

### (h) Inventory

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

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

### (i) Property, plant and equipment

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

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

#### *Depreciation*

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

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

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

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

### (j) Goodwill and Intangibles

#### *Goodwill*

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**2 Summary of Significant Accounting Policies (continued)**

**(i) Goodwill and Intangibles (continued)**

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

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

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

***Intangibles***

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

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

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

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

<b>Useful lives</b>	<b><i>Patents and licences</i></b>	<b><i>Development costs</i></b>
	Indefinite	Finite
<b>Method used</b>	Not depreciated or revalued	3 years – Straight line
<b>Internally generated or Acquired</b>	Acquired	Internally generated
<b>Impairment test or 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 2015

## 2 Summary of Significant Accounting Policies (continued)

### (k) Impairment of non-financial assets

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

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

### (l) Trade and other payables

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

### (m) Interest bearing loans and borrowings

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

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

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

### **Borrowing costs**

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

### (n) Provisions

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

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

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

### (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.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (o) Employee entitlements (continued)

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

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

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

### (p) Issued capital

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

### (q) Leases

#### *Finance Leases*

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

#### *Operating Leases*

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

### (r) Revenue recognition

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

#### *Sale of goods*

Revenue is recognised (net of returns, discounts and allowances excluding distribution costs) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Consequently, transfers of goods to major distributors are considered as consignment inventory and revenue is only recognised upon the achievement of "in-market" sales.

#### *Interest*

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

#### *Dividends*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (s) Investments in associates

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

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

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

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

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

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

### (t) Income and other taxes

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

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (t) Income and other taxes (continued)

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

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

#### **Tax consolidation**

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

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

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

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

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

#### **Other taxes**

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

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

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

### (u) Financial instruments

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

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

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

#### **Loans and receivables**

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (u) Financial Instruments (continued)

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

##### **Financial assets**

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

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

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

##### **Financial liabilities**

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

#### **Impairment**

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

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

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

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

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

##### **Impairment Reversal**

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (v) Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

### (w) Share-based payment transactions

#### *Equity settled transactions:*

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

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

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

At each subsequent reporting date until vesting, the cumulative charge to the Consolidated Statement of Comprehensive Income is the product of:

- The grant date fair value of the award;
- 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
- The expired portion of the vesting period.

The charge to the Consolidated Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

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

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (x) Comparative figures

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

### (y) Rounding of amounts

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

### (z) New Accounting Standards and Interpretations for Application in Future Periods

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 2014-1: Amendments to Australian Accounting Standards (Part D)**

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.

#### **AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)**

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 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018)**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### (z) New Accounting Standards and Interpretations for Application in Future Periods (continued)

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

#### **AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)**

This Standard 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.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method as per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 31 December 2015, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of the Standard.

#### **AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2016)**

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) will be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from re-measuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses as per AASB 3 for which gains or losses were hitherto recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2016. As at 31 December 2015, Management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of the standard.

### **(aa) New and Amended Accounting Policies Adopted by the Group**

The Group adopted the following Australian Accounting Standards from the mandatory application date of 1 January 2015:

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 2 Summary of Significant Accounting Policies (continued)

### AASB 2014-1: Amendments to Australian Accounting Standards (Part E)

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.

#### (ab) 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 \$86,000 (2014: \$97,000) relating to capitalised development cost. Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

#### *Taxation*

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

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

#### *Share-based payment transactions*

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

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 3 Segment information

### Geographical segment

The consolidated entity operates in the regions identified as Australia, Singapore, Malaysia, 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 2015 and 31 December 2014.

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Total \$'000
<b>Year ended 31 December 2015</b>					
<b>Revenue</b>					
Sales to external customers	15,640	6,252	14,381	2,311	38,584
<b>Total segment revenue</b>	<b>15,640</b>	<b>6,252</b>	<b>14,381</b>	<b>2,311</b>	<b>38,584</b>
<b>Segment results</b>					
Earnings before interest and tax	3,142	2,060	1,905	(999)	6,108
Net interest	56	(2)	(141)	(6)	(93)
Share of loss of associates	-	-	-	(13)	(13)
Profit before income tax					6,002
Income tax benefit					(1,651)
<b>Net profit for the year</b>					<b>4,351</b>
<b>Assets and liabilities</b>					
Segment assets	10,638	2,658	16,538	1,617	31,451
Investment in associates				937	937
<b>Total assets</b>					<b>32,388</b>
Segment liabilities	3,381	631	5,298	202	9,512
<b>Total liabilities</b>					<b>9,512</b>
<b>Other segment information</b>					
Capital expenditure	(32)	(22)	(759)	(46)	(859)
Depreciation	(9)	(17)	(57)	(15)	(98)
Amortisation	-	-	(14)	(2)	(16)

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

### 3 Segment information (continued)

	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
<b>Total segment revenue</b>	<b>13,745</b>	<b>5,651</b>	<b>13,772</b>	<b>3,412</b>	<b>36,580</b>
<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	1,044
<b>Total assets</b>					<b>30,271</b>
Segment liabilities	2,354	696	5,473	183	8,706
<b>Total liabilities</b>					<b>8,706</b>
<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 2015

## 3 Segment information (continued)

### Business segments

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

#### Business Industry Products/Services

Health	Sale of vitamins and supplements
Investment	General investments

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2015 and 31 December 2014.

Year ended 31 December	2015			2014		
	Health \$'000	Investment \$'000	Total \$'000	Health \$'000	Investment \$'000	Total \$'000
<b>Revenue</b>						
Sales to external customers	38,584	-	38,584	36,580	-	36,580
<b>Result</b>						
Segment results	6,754	(21)	6,733	7,501	(16)	7,485
Unallocated expenses	-	-	(638)	-	-	(603)
Earnings before interest and tax			6,095			6,882
Net interest			(93)			43
Profit before income tax			6,002			6,925
Income tax benefit / (expense)			(1,651)			359
<b>Net profit for the year</b>			4,351			7,284
<b>Assets and liabilities</b>						
Segment assets	31,451	937	32,388	29,227	1,044	30,271
Total assets			32,388			30,271
Segment liabilities	9,505	7	9,512	8,698	8	8,706
Total liabilities			9,512			8,706
<b>Other segment information</b>						
Capital expenditure	(859)	-	(859)	(6,778)	-	(6,778)
Depreciation	(98)	-	(98)	(104)	-	(104)
Amortisation	(16)	-	(16)	(14)	-	(14)

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**5 Revenue and expenses**

	2015 \$'000	2014 \$'000
<b>(a) Other income</b>		
Realised gain on foreign exchange	17	17
Other income	20	100
	<b>37</b>	<b>171</b>
<b>(b) Administrative expenses</b>		
Legal and other professional fees	(336)	(365)
Consultants	(806)	(701)
Allowance for impairment loss	13	(27)
Wages, salaries and other employee expenses	(10,563)	(9,982)
Defined contribution superannuation expense	(752)	(674)
Travelling expenses	(265)	(361)
Share based payment expense	(254)	(232)
Depreciation	(98)	(104)
Amortisation	(16)	(14)
Other administrative expenses	(429)	(190)
	<b>(13,506)</b>	<b>(12,650)</b>
<b>(c) Other expenses</b>		
Product registration costs	(250)	(209)
Loss on disposal of property, plant and equipment	(4)	(3)
	<b>(254)</b>	<b>(212)</b>
<b>(d) Finance income</b>		
Interest received - external parties	161	174
	<b>161</b>	<b>174</b>
<b>(e) Finance expenses</b>		
Interest expense - external parties	(165)	(60)
Bank charges	(89)	(71)
	<b>(254)</b>	<b>(131)</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 6 Earnings per share

### (a) Earnings used in calculating earnings per share

	2015 \$'000	2014 \$'000
Net profit attributable to equity holders from continuing operations (Profit) / loss attributable to non-controlling interest	4,351	7,284
	40	(4)
Earnings used to calculate basic and dilutive earnings per share	<b>4,391</b>	<b>7,280</b>

### (b) Weighted average number of shares

	2015 Number	2014 Number
Weighted average number of ordinary shares for basic earnings per share	55,641,822	56,067,408
Adjusted weighted average number of ordinary shares for diluted earnings per share. Long Term Incentive Plan shares are classified as dilutive for the purposes of this calculation.	57,063,906	56,712,408

## 7 Income taxes

### (a) Income tax expense

	2015 \$'000	2014 \$'000
The major components of income tax expense are:		
<b>Income Statements:</b>		
<i>Current income tax</i>		
Current income tax charge	1,541	1,733
Tax benefits arising from previously unrecognised tax losses of prior years	-	(2,112)
Prior year under / (over) provision	44	52
<i>Deferred income tax</i>		
Write back of deferred tax assets	100	-
Relating to origination and reversal of temporary differences	(34)	(32)
Income tax (benefit) / expense reported in the income statement	<b>1,651</b>	<b>(359)</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 7 Income Taxes (continued)

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

	2015 \$'000	2014 \$'000
Total accounting profit before income tax	6,002	6,925
At the parent entity's statutory income tax rate of		
30% (2014: 30%)	1,801	2,078
Adjustment in respect of current income tax $\triangleq$ of previous year	44	52
Write back of deferred tax assets	100	-
Foreign tax rate adjustment	(127)	(311)
Travel and staff amenities expenses	22	3
Share based payments	80	69
Other income/(expenditure) not allowable for income tax purposes	(210)	(81)
Deferred tax asset recognised during financial year	(46)	(2,112)
Tax losses and timing differences not brought $\triangleq$ to account / (recognised)	(13)	(57)
<b>Aggregate income taxes</b>	<b>1,651</b>	<b>(359)</b>
The applicable weighted tax rates are as follows:	28%	(5%)

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

<i>Deferred tax assets/ (liabilities)</i>		
Deferred tax assets relating to Australian Tax Group losses carried forward	-	1,250
Doubtful debts	3	10
Inventory obsolescence	21	17
Property, plant and equipment	-	(4)
Trade and other receivables	-	(4)
Provision for annual leave	55	35
Provision for long service leave	17	21
Other provision	90	77
<b>Net deferred tax assets/ (liabilities)</b>	<b>186</b>	<b>1,402</b>
<i>Presented in the consolidated Statement of Financial Position as follows:</i>		
Deferred tax assets	207	1,411
Deferred tax liabilities	(21)	(9)
	<b>186</b>	<b>1,402</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**7 Income Taxes (continued)**

**(d) Tax losses**

The Group has carry forward tax losses of SGD\$18.9 million (A\$18.3) 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 at the Singaporean Company tax rate of 17%.

The Group had \$4.2m of unrecognised tax losses as at 31 December 2014, relating solely to the Australian consolidated tax group. These were recouped during the 2015 financial year.

**(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 defaults on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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

**Measurement method adopted under AASB 112 Tax Consolidation Accounting**

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

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

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are 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:

	<b>2015</b> \$'000	<b>2014</b> \$'000
Total increase in intercompany receivable of Vita Life Sciences Limited	1,244	909

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 8 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and in hand (a)	8,097	7,211
Short term deposit (b)	1,637	1,947
<b>Total cash and cash equivalents</b>	<b>9,734</b>	<b>9,158</b>

- (a) Cash at bank of \$8,097,000 (2014: \$7,211,000) 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 \$9,734,000 (2014: \$9,158,000).

### (d) Information pertaining to the Cash Flow Statement:

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

	2015 \$'000	2014 \$'000
<b>Net profit after tax</b>	<b>4,351</b>	<b>7,284</b>
<b>Adjustments for non-cash income and expense items:</b>		
Depreciation	98	104
Amortisation	16	14
Net (gain) loss on disposal of property, plant & equipment	(20)	3
Shared based payment expense	254	232
Allowance for / (reversal of) impairment loss	(13)	27
	<b>4,686</b>	<b>7,664</b>
<b>Increase/decrease in assets and liabilities:</b>		
Decrease / (increase) in inventories	(1,581)	1,098
Decrease in investment in associates	13	3
(Increase) in receivables	(408)	(1,191)
(Increase) in other assets	(117)	(56)
(Increase) decrease in deferred tax balances	1,204	(1,284)
(Decrease)/ increase in current income tax payable	(261)	(94)
(Decrease) in trade and other payables	1,473	(93)
(Decrease) / increase in other liabilities	126	(201)
Effect of foreign exchange translation of assets and liabilities	(212)	269
<b>Net cash provided by operating activities</b>	<b>4,923</b>	<b>6,115</b>

- ii) Non-cash financing and investing activities:

During the year 1,600,000 Long Term Incentive Plan Shares were issued to certain Key Management Personnel by way of loans. Refer to Note 24 for further details.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**9 Trade and other receivables**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade receivables, third parties	4,844	4,752
Allowance for impairment loss (a)	(21)	(34)
	<b>4,823</b>	<b>4,718</b>
Other receivables:		
Other receivables (b)	1,641	1,306
Net tax receivable	18	17
	<b>6,482</b>	<b>6,041</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 benefit of \$13,000 (2014: impairment expense of \$27,000) 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:

	2015 \$'000	2014 \$'000
At 1 January 2015	34	7
Charge (benefit) for the year	(13)	27
At 31 December 2015	<b>21</b>	<b>34</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.
- (d) Foreign exchange and interest rate risk**  
Details regarding foreign exchange and interest rate risks exposure are disclosed in Note 23.

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**10 Inventories**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Raw materials at cost	1,620	950
Finished goods at lower of cost and net realisable value	4,973	4,062
	<b>6,593</b>	<b>5,012</b>

**11 Other assets**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Prepayments	406	410
Security deposits	309	188
	<b>715</b>	<b>598</b>
<b>Non- Current</b>		
Prepayments	5	-
	<b>720</b>	<b>1,196</b>

**12 Investment in Associate**

	2015 \$'000	2014 \$'000
<b>Non- current</b>		
<i>Unlisted</i>		
- Mitre Focus Sdn Bhd (a)	937	1,044
Investment in associate	<b>937</b>	<b>1,044</b>

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

	2015 \$'000	2014 \$'000
<b>Mitre Focus Sdn Bhd</b>		
- Investment in associate at cost	-	-
- Loan to associate	904	998
- Cumulative share of associate's profit	33	46
Carrying value of investment in associate	<b>937</b>	<b>1,044</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**12 Investment in Associate (continued)**

**(b) Investment details**

	Measurement Method	Place of Incorporation / Business	Ownership Interest	
			31 December 2015 %	31 December 2014 %
<b>Name of Company</b>				
<i>Unlisted</i>				
- Mitre Focus Sdn Bhd	Equity Method	Malaysia	6.3	6.3

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

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

**(c) Summarised financial information**

The following illustrates summarised financial information relating to the Group's associate:

	2015 \$'000	2014 \$'000
<b><i>Extract from the associate's Statement of Financial Position:</i></b>		
Current assets	4,852	4,787
Non - current assets	1,971	2,380
	6,823	7,167
Current liabilities	(4,379)	(4,248)
Non - current liabilities	(160)	(175)
	(4,539)	(4,423)
Net assets	2,284	2,744
Share of associate's net assets	144	173
<b><i>Extract from the associate's income statement:</i></b>		
Revenue	2,869	3,173
Net loss	(209)	(51)
Total comprehensive loss	(209)	(51)

- (d)** The reporting date of the associate is 31 December 2015. The reporting date coincides with the Company's reporting date.
- (e)** Loans to the associate are interest free and have no fixed repayment term.
- (f)** As at 31 December 2015, there are no contingent liabilities relating to the associate.

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

### 13 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 2015</b>					
At 1 January 2015 net of accumulated depreciation and impairment	6,705	34	171	-	6,910
Additions	611	7	233	28	879
Disposals	-	(10)	(10)	-	(20)
Exchange differences	-	(2)	(37)	(3)	(42)
Depreciation / amortisation for the year	-	(16)	(76)	(6)	(98)
At 31 December 2015 net of accumulated depreciation and impairment	<b>7,316</b>	<b>13</b>	<b>281</b>	<b>19</b>	<b>7,629</b>
<b>At 31 December 2015</b>					
Cost value	7,316	419	2,121	147	10,003
Accumulated depreciation and impairment	-	(406)	(1,855)	(113)	(2,374)
<b>Net carrying amount</b>	<b>7,316</b>	<b>13</b>	<b>266</b>	<b>34</b>	<b>7,629</b>

	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>-</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)
<b>Net carrying amount</b>	<b>6,705</b>	<b>34</b>	<b>171</b>	<b>-</b>	<b>6,910</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**14 Intangible assets**

	Product Development costs \$'000	Total \$'000
<b>Year ended 31 December 2015</b>		
At 1 January 2015 net of accumulated depreciation and impairment	97	97
Additions	28	28
Impairment / amortisation	(16)	(16)
Exchange differences	(23)	(23)
At 31 December 2015 net of accumulated depreciation and impairment	<u>86</u>	<u>86</u>
<b>At 31 December 2015</b>		
Gross carrying amount	431	431
Accumulated amortisation and impairment	(345)	(345)
<b>Total</b>	<b>86</b>	<b>86</b>

	Product Development costs \$'000	Total \$'000
<b>Year ended 31 December 2014</b>		
At 1 January 2015 net of accumulated depreciation and impairment	83	83
Additions	26	26
Impairment / amortisation	(14)	(14)
Exchange differences	2	2
At 31 December 2014 net of accumulated depreciation and impairment	<u>97</u>	<u>97</u>
<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>

*Development costs*

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

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**15 Trade and other payables**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade payables (a)	2,849	1,929
Net tax payable	280	225
Other payables and accruals	2,656	2,158
	<b>5,785</b>	<b>4,312</b>

- (a) Trade payables are non-interest bearing and are normally settled within 90-day terms. Other payables are non-interest bearing and have an average term of 3 months.
- (b) **Fair value**  
Due to the short term nature of these payables, their carrying values are assumed to approximate their fair value.
- (c) **Interest rate, foreign exchange and liquidity risks**  
Information regarding interest rate, foreign exchange and liquidity risks is set out in Note 23.

**16 Interest bearing loans and borrowings**

	2015 \$'000	2014 \$'000
<b>Current</b>		
Property facility - secured (a)	243	260
	<b>243</b>	<b>260</b>
<b>Non - Current</b>		
Property facility - secured (a)	2,567	3,094
	<b>2,567</b>	<b>3,094</b>

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

	2015 \$'000	2014 \$'000
<b>Total facilities available:</b>		
Property facility (a)	3,071	3,375
Bank overdraft (b)	200	200
	<b>3,271</b>	<b>3,575</b>
<b>Facilities utilised at balance date:</b>		
Property facility (a)	2,810	3,354
	<b>2,810</b>	<b>3,354</b>
<b>Facilities not utilised at balance date:</b>		
Property facility (a)	261	21
Bank overdraft (b)	200	200
	<b>461</b>	<b>221</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**16 Interest bearing loans and borrowings (continued)**

**(a) Property facility**

The property facility is provided by a Malaysian bank to the Group's main operating subsidiary in Malaysia. The interest rate for the facility as at 31 December 2015 is fixed at 4.25% (2014: 5.22%) for a further term of 108 months from 1 January 2015. The facility is secured by a charge over the premises.

**(b) Bank overdrafts**

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2015 is 9.63% p.a. (2014: 10.11% 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 the bank overdraft, the carrying value is assumed to approximate the fair value.

In regards to the 10-year property facility loan, a further term of 8 years exists post 31 December 2015, which is secured by the charge over the premises. The carrying value of the loan approximates to the fair value amount.

**(d) Interest rate, foreign exchange and liquidity risks**

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

**(e) Default and breaches**

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

**17 Provisions**

	Employee Entitlements \$'000	Total \$'000
<b>Consolidated</b>		
<b>Balance at 1 January 2015</b>	<b>592</b>	<b>592</b>
Charged during year	1,165	1,165
Used during year	(866)	(866)
Foreign exchange difference	(173)	(173)
<b>Balance at 31 December 2015</b>	<b>718</b>	<b>718</b>
<b>At 31 December 2015</b>		
Current	663	663
Non-Current	55	55
	<b>718</b>	<b>718</b>
<b>At 31 December 2014</b>		
Current	523	523
Non-Current	69	69
	<b>592</b>	<b>592</b>

**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 2015

## 18 Contributed Equity

	2015 Number	2014 Number	2015 \$	2014 \$
<b>Issued and paid up capital</b>				
Ordinary shares	<b>57,197,839</b>	<b>56,466,189</b>	<b>44,911,156</b>	<b>45,428,667</b>
<b>Ordinary shares</b>				
Balance at beginning of the year	56,466,189	56,250,650	45,428,667	46,100,480
Share buy back (a)	(625,850)	(429,461)	(605,511)	(671,813)
Cancellation of Plan Shares of certain:				
- Employees and Directors	(242,500)	-	-	-
Issue of shares to employee / director (b)	1,600,000	645,000	-	-
Plan shares exercised	-	-	88,000	-
Balance at end of the year	<b>57,197,839</b>	<b>56,466,189</b>	<b>44,911,156</b>	<b>45,428,667</b>

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

### (a) Share Buy-Back

On 25 May 2015, 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 2015, the Company bought back 625,850 shares (2014: 429,461) for total consideration of \$599,517, excluding costs of \$5,994.

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

During the year ended 31 December 2015, the Company approved loans to three senior Executives of the Group totalling \$2,504,000 (2014: \$741,750) in order for these executives to purchase a total of 1,600,000 (2014: 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 25 May 2015.

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

For the year ended 31 December 2015, the Company recognised \$254,000 (2014: \$232,000) 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 2015

**18 Contributed Equity (continued)**

**(d) Dividends**

The Directors declared an unfranked interim dividend of 1.5 cents per share and an unfranked final dividend of 2.25 cents per share in respect of the financial year ended 31 December 2015 (2014: interim dividend of 1.0 cent unfranked and an unfranked final dividend of 2.0 cents). The final dividend of 2.25 cents per share has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2015.

	2015 Cents per Share	2014 Cents per Share	2015 \$'000	2014 \$'000
<b>Fully paid ordinary shares</b>				
Final dividend for the previous financial year				
- No franking credits attached	2.00	2.00	1,116	1,124
Interim dividend for the financial year				
- No franking credits attached	1.50	1.50	831	840
	<b>3.50</b>	<b>3.50</b>	<b>1,947</b>	<b>1,964</b>

The Group has no remaining imputation credits to distribute at 31 December 2015.

**19 Reserves**

**(a) Employee share based payments reserve**

The employee share based payments reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration.

**(b) Foreign currency translation reserve**

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 20 Related party disclosure

### (a) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in Note 21.

### (b) Ultimate holding company

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

### (c) Entities subject to significant influence by the Group

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. The Group has significant influence over Mitre Focus Sdn Bhd, and it is accounted for as an associate company of the Group. In addition, Mitre Focus is a related party of Mr Eddie L S Tie, as Mr Tie owns a 42.6% indirect interest in Mitre Focus through his 50% shareholding in Eighty Three Ventures Sdn Bhd.

For details of interests held in the associate company, refer to Note 12.

### (d) Transactions with related parties

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

	2015 \$'000	2014 \$'000
Business Intelligence & Support Inc (i)	493	374
CVC Venture Managers Pty Ltd (ii)	190	141
Pilmora Pty Ltd (iii)	23	23
Henslow Pty Ltd (iv)	23	23

- (i) During the financial year, Business Intelligence & Support Inc. (BISI), a company in which Mr Eddie L S Tie is a Director, and therefore a related party, provided international business advisory, sales, marketing and promotional services to the Group. A minor amount was payable (<\$200) as at 31 December 2015, and is included in trade and other creditors (2014: \$104,000).
- (ii) CVC Venture Managers Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid \$190,000 (2014: \$141,000) for consultancy services during the financial year. \$9,500 was payable as at 31 December 2015 (2014: \$nil).
- (iii) Pilmora Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid \$23,000 (2014: \$23,000) for Director fees during the financial year. \$23,000 was payable as at 31 December 2015, and is included in trade and other creditors (2014: \$23,000).
- (iv) Henslow Pty Ltd, a company in which Mr Jonathan Tooth is a Principal and therefore a related party, was paid \$23,000 (2014: \$23,000) for Director fees during the financial year. An amount of \$6,881 was payable as at 31 December 2015, and is included in trade and other creditors (2014: \$nil).

#### *Terms and conditions of transactions with related parties*

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**20 Related party disclosures (continued)**

**(e) Subsidiaries**

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

Name	Place of Incorporation	Percentage of Equity Interest	
		2015 %	2014 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed Bio Sciences 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
Vita Institute of Health Pty Ltd (formerly Premier Foods Australia Pty Ltd)	Australia	100	100
VitaHealth Australia Pty Ltd (1)	Australia	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 Vita ron Japya Sdn Bhd)	Malaysia	100	100
Vita Lifesciences Sdn Bhd (formerly known as Vitaherbs (M) Sdn Bhd)	Malaysia	100	100
Vita Science Sdn Bhd	Malaysia	100	100
Herbs of Gold Sdn Bhd	Malaysia	100	100
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Sciences (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 Island	100	100
VitaHealth (Macao Commercial Offshore) Limited	Hong Kong	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100
PT. Vita Health Indonesia	Indonesia	100	100

(1) Vita Health Australia Pty Ltd is a new subsidiary of the Group and was incorporated on 21 July 2015.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 21 Directors and Key Management Personnel Remuneration

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

Summary of remuneration of Directors and Key Management Personnel (KMP):

	<b>Short term salary, bonus, fees and leave</b>	<b>Post- employment benefits</b>	<b>Other long term benefits</b>	<b>Share based payment expense</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>2015</b>	1,627,008	133,937	300	268,049	<b>2,029,294</b>
<b>2014</b>	1,130,113	54,292	-	164,892	<b>1,349,297</b>

### **Short-term salary, bonus, fees and leave**

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

### **Post-employment benefits**

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

### **Other long term benefits**

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

### **Share based payment expense**

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**22 Parent entity disclosures**

	2015 \$'000	2014 \$'000
<b>Financial position as at 31 December 2015</b>		
<b>ASSETS</b>		
Current Assets	303	200
Non - Current Assets	5,524	6,479
<b>Total Assets</b>	<b>5,827</b>	<b>6,679</b>
<b>LIABILITIES</b>		
Current Liabilities	358	363
Non - Current Liabilities	-	-
<b>Total Liabilities</b>	<b>358</b>	<b>363</b>
<b>Equity</b>		
Issued capital	44,911	45,429
Accumulated losses	(40,400)	(39,817)
Employee share based payments reserve	958	704
<b>Total Equity</b>	<b>5,469</b>	<b>6,316</b>
<b>Financial performance for the year ended 31 December 2015</b>		
Profit for the year	1,400	1,644
Other comprehensive income / (expense)	-	-
<b>Total comprehensive income for the year</b>	<b>1,400</b>	<b>1,644</b>

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency at 31 December 2015, consistent with that at 31 December 2014. The Parent Entity is able to call on the resources of the Vita Life Group as required, and as such the financial statements of the Parent Entity are prepared on a Going Concern basis.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 23 Financial risk management objectives and policies

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

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

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

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

### Risk exposures and responses

#### *Interest rate risk*

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

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

	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
Cash at bank and in hand	8,096	7,211
Short term deposit	1,638	1,947
	<hr/> 9,734	<hr/> 9,158
<b>Financial liabilities</b>		
Property facility	2,810	3,354
	<hr/> 2,810	<hr/> 3,354
<b>Net exposure</b>	<b>6,924</b>	<b>5,804</b>

At 31 December 2015, if interest rate had moved, as illustrated in the table below, with all variables held constant, post-tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)	
	2015 \$'000	2014 \$'000
+ 1.00% (100 basis points)	66	49
- 0.50% (50 basis points)	(33)	(24)

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 23 Financial risk management objectives and policies (continued)

### *Credit risk*

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

	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
Cash at bank and in hand (a)	8,097	7,211
Short term deposit (a)	1,637	1,947
Trade and other receivables (b)	6,482	6,041
	<b>16,216</b>	<b>15,199</b>

#### (a) Cash at bank and short term deposit

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

#### (b) Trade and other receivables

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

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

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

### *Foreign currency risk*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**23 Financial risk management objectives and policies (continued)**

*Foreign currency risk (continued)*

At 31 December 2015, the Group had the following exposure to foreign currency:

	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
<i>Cash and cash equivalents</i>		
Singapore Dollar (SGD)	1,869	2,231
Malaysia Ringgit (RM)	3,270	2,376
Hong Kong Dollar (HKD)	100	49
Chinese Yuan Renminbi (RMB)	270	461
Indonesian Rupiah (Rp)	36	-
Vietnamese Dong (VND)	132	33
Thai Baht	436	633
<i>Trade and other receivables</i>		
Singapore Dollar (SGD)	837	845
Malaysia Ringgit (RM)	2,311	2,240
Hong Kong Dollar (HKD)	-	42
Chinese Yuan Renminbi (RMB)	37	85
Indonesian Rupiah (Rp)	1	-
Vietnamese Dong (VND)	122	86
Thai Baht	373	233
	<b>9,794</b>	<b>9,314</b>
<b>Financial liabilities</b>		
<i>Trade and other payables</i>		
Singapore Dollar (SGD)	517	407
Malaysia Ringgit (RM)	2,003	1,510
Hong Kong Dollar (HKD)	6	110
Chinese Yuan Renminbi (RMB)	32	57
Indonesian Rupiah (Rp)	2	2
Vietnamese Dong (VND)	87	39
Thai Baht	11	24
<i>Property Facility</i>		
Malaysia Ringgit (RM)	2,810	3,354
	<b>5,468</b>	<b>5,503</b>
<b>Net exposure</b>		
	<b>4,326</b>	<b>3,811</b>

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

## 23 Financial risk management objectives and policies (continued)

### *Foreign currency risk (continued)*

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

At 31 December 2015, had the Australian Dollar moved, as illustrated in the table below, with all variables held constant, post-tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)		Equity Higher/ (Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
AUD/ SGD + 10.0%	(108)	141	(356)	291
AUD/ SGD - 5.0%	54	(71)	178	(146)
AUD/ RM + 10.0%	241	194	1,240	606
AUD/ RM - 5.0%	(124)	(105)	(637)	(303)
AUD/ HK + 10.0%	(38)	(42)	(127)	(31)
AUD/ HK - 5.0%	19	21	64	(15)
AUD/ RMB + 10.0%	(34)	(7)	47	112
AUD/ RMB - 5.0%	17	4	(24)	(56)
AUD/ THB + 10.0%	(25)	(5)	(10)	2
AUD/ THB - 5.0%	12	3	5	(1)
AUD/ VND + 10.0%	9	5	32	6
AUD/ VND - 5.0%	(5)	(3)	(16)	(3)

### *Price risk*

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

### *Liquidity risk*

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

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**23 Financial risk management objectives and policies (continued)**

*Liquidity risk (Continued)*

At 31 December 2015, the Group has available approximately \$0.21 million (2014 \$0.22 million) of unused credit facilities available for immediate use.

	Weighted average interest rate	\$'000	\$'000	Fixed interest maturing		\$'000				
				1 year or less	1 to 5 years					
<b>2015</b>										
<i>Financial Assets</i>										
Cash assets	1.52%	-	8,096	1,638	-	9,734				
Trade and other receivables	n/a	6,482	-	-	-	6,482				
		6,482	8,096	1,638	-	16,216				
<i>Financial Liabilities</i>										
Trade and other payables	n/a	5,785	-	-	-	5,785				
Property facility	4.25%	-	-	243	2,567	2,810				
		5,785	-	243	2,567	8,595				
<b>2014</b>										
<i>Financial Assets</i>										
Cash assets	2.35%	-	7,211	1,947	-	9,158				
Trade and other receivables	n/a	6,041	-	-	-	6,041				
		6,041	7,211	1,947	-	15,199				
<i>Financial Liabilities</i>										
Trade and other payables	n/a	4,312	-	-	-	4,312				
Property facility	5.22%	-	-	260	3,094	3,354				
		4,312	-	260	3,094	7,666				

*Fair value*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**24 Share based payment plans**

(a) **Recognised share based payment expenses**

	2015 \$'000	2014 \$'000
Expense arising from equity-settled share based payment transactions	254	232
	<b>254</b>	<b>232</b>

The share-based payment plans are described below.

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

(i) *Shares*

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

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

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

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

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

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

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

(ii) *Plan Shares issued in 2015*

During the 2015 financial year, 1,600,000 Long Term Incentive Plan Shares were issued to key executives of the Group. 560,000 shares have performance hurdles combining the 2015 and 2016 financial years; with a final expiry date of 30 June 2017, and an exercise price of \$1.50 should the hurdle be reached. The other 1,040,000 shares have performance hurdles combining the 2015, 2016 & 2017 financial years; with a final expiry date of 30 June 2018 and an exercise price of \$1.60 should the hurdle be reached.

(iii) *Plan Shares issued in 2014*

During the 2014 financial year, 645,000 Long Term Incentive Plan Shares were issued to key executives of the Group. 322,500 of these have performance hurdles relating to the 2014 financial year; with a final expiry date of 30 June 2015, and an exercise price of \$1.10 should the hurdle be reached. The 2014 financial year performance hurdles relating to 242,500 Long Term Incentive Plan shares held by two key executives were reached. 80,000 of these shares were exercised, whilst the remaining 242,500 shares expired and were cancelled. The other 322,500 of these shares have performance hurdles relating to the 2014 and 2015 financial years; with a final expiry date of 30 June 2016, and an exercise price of \$1.20 should the hurdles be reached.

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**24 Share based payment plans (continued)**

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

*(iv) Plan Shares*

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

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

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

	<b>2015 No.</b>	<b>2014 No.</b>	<b>2015 WAEP</b>	<b>2014 WAEP</b>
Outstanding at the beginning of the year	645,000	-	1.15	-
Granted during the year - b(ii), b(iii)	1,600,000	645,000	1.57	1.15
Exercised during the year - b(iii)	(80,000)	-	1.10	-
Expired during the year - b(iii)	(242,500)	-	-	-
Outstanding at the end of the year	<b>1,922,500</b>	<b>645,000</b>	<b>1.25</b>	<b>1.15</b>

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

The range of exercise prices for Plan Shares outstanding at the end of the financial year was \$1.20 to \$1.60 (2014: \$1.10 to \$1.20).

The weighted average remaining contractual life for the Plan Shares outstanding at the end of the financial year was 1.50 years (2014: 0.75 years).

The weighted average fair value of Plan Shares granted during the financial year was \$0.55 (2014: \$0.81).

80,000 Plan Shares were exercised during the financial year.

*(vi) Implied option pricing*

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

# Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**24 Share based payment plans (continued)**

<b>Plan Shares issued in 2015</b>			
<b>No. of shares issued - b (ii)</b>	<b>560,000</b>	<b>840,000</b>	<b>200,000</b>
Exercise price per implied option	\$1.50	\$ 1.60	\$1.60
Dividend yield	-	-	-
Expected annual volatility	47.67%	47.67%	77.00%
Risk-free interest rate (p.a.)	2.00%	2.00%	2.50%
Expected life of implied option (Years)	2 years	3 years	3 years
Fair value per implied option	\$0.42	\$0.55	\$0.67
Exercise price per implied option	\$1.50	\$1.60	\$1.60
Share price at grant date	\$1.35	\$1.35	\$1.48
Model used	Black Scholes	Black Scholes	Black Scholes

In respect of the implied options arising from the Shares granted in 2015, the expected volatility was determined using historic data over a 5-year period from August 2009 to April 2014.

<b>Plan Shares issued in 2014</b>			
<b>No. of shares issued - b (iii)</b>	<b>322,500</b>	<b>322,500</b>	
Exercise price per implied option	\$1.10	\$ 1.20	
Dividend yield	-	-	
Expected annual volatility	77.00%	77.00%	
Risk-free interest rate (p.a.)	2.50%	2.50%	
Expected life of implied option (Years)	1.5 years	2.5 years	
Fair value per implied option	\$0.76	\$0.85	
Exercise price per implied option	\$1.10	\$1.20	
Share price at grant date	\$1.56	\$1.56	
Model used	Black Scholes	Black Scholes	

In respect of the implied options arising from the Shares granted in 2014, the expected volatility was determined using historic data over a 5-year period from August 2008 to April 2013.

**25 Commitments**

**Operating lease commitments – Group as lessee**

The Group has entered into commercial property leases for various offices and warehouse facilities. These leases have an average life of between 1 and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Within one year	314	386
After one year but not more than five years	161	174
	<b>475</b>	<b>560</b>

The Group incurred \$440,000 (2014: \$416,000) of operating lease expenditure during the financial year.

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2015

**26 Net tangible assets per share**

	2015 \$	2014 \$
	Number	Number
Net assets per share	0.40	0.38
Net tangible assets per share	0.40	0.36
Number of ordinary shares for net assets per share	57,197,839	56,466,189

**27 Subsequent events after balance sheet date**

**Final Dividend**

On 18 February 2016, the Directors declared a final unfranked dividend of 2.25 cents per share totalling \$1,244,000 in respect of the financial year ended 31 December 2015, payable on 24 March 2016.

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

**28. Auditors remuneration**

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

	2015 \$'000	2014 \$'000
<b>Amount receivable or due and receivable by Russell Bedford NSW for:</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	103	96
Other services in relation to the entity and any other entity in the consolidated group		
- tax compliance services	14	15
- share registry	39	35
	<b>156</b>	<b>146</b>
<b>Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:</b>		
- audit or review of the financial report	85	76
	<b>241</b>	<b>222</b>

## Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and notes as set out on pages 31 to 78 are in accordance with the *Corporations Act 2001* and:
  - (a) Comply with Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) Give a true and fair view of the financial position as at 31 December 2015 and of the performance for the year ended on that date of the Company and Consolidated Group;
2. The Chief Executive Officer/Managing Director and Group Financial Controller have each declared that:
  - (a) The financial records of the Consolidated Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) The financial statements and notes for the financial year comply with Accounting Standards; and
  - (c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

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



**Eddie L S Tie**  
Managing Director  
30 March 2016

# Independent Audit Report



**Russell Bedford NSW**  
*Chartered Accountants*

ABN 74 632 161 298  
Level 29, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia

T: +61 2 9032 3000  
F: +61 2 9251 1275  
E: mail@rbnsw.com.au  
W: www.rbnsw.com.au

## INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF VITA LIFE SCIENCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Vita Life Sciences Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### ***Independence***

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

### ***Auditor's Opinion***

In our opinion:

- (a) the financial report of Vita Life Sciences Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

### ***Report on the Remuneration Report***

We have audited the Remuneration Report included on pages 13 to 20 of the Directors' report for the year ended 31 December 2015. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### ***Auditor's Opinion on the Remuneration Report***

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

### ***Emphasis of Matter***

We draw attention to footnote 2 to the tables of movements in relevant interest in shares of the Company held by Directors and other Key Management Personnel during the financial year and the comparative year, presented on page 18 of the Remuneration report in the Director's report. It describes a potential impact on the disclosure of the relevant interest in the Company held by Mr Vanda Gould. Our conclusion is not modified in respect of this matter.

RUSSELL BEDFORD NSW

Chartered Accountants



STEPHEN FISHER

Partner

30 March 2016

## ASX Additional Information

### A. SUBSTANTIAL SHAREHOLDERS

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

Shareholder	No of ordinary shares held	Percentage held of issued ordinary capital
Chemical Trustee Limited	8,551,439	15.0%
Mrs Vicky Teoh (via Pershing Australia & direct interest)	8,230,693	14.4%
Barings Acceptance Limited	7,371,832	12.9%
Lloyds & Casanove Investment Partners Limited	6,276,040	11.0%
Mr Eddie LS Tie	4,763,500	8.3%

### B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 23 March 2016:

Category	Ordinary shareholders
1 - 1,000	114
1,001 - 5,000	371
5,001 - 10,000	162
10,001 - 100,000	279
100,001 and over	30
	<hr/>
	956

(ii) There were 17 holders of less than a marketable parcel of ordinary shares.

## ASX Additional Information (continued)

*C. EQUITY SECURITY HOLDERS*

<b>Twenty largest quoted equity security holders</b>	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>Percentage of shares issued</b>
Chemical Trustee Limited	8,551,439	15.0%
Pershing Australia Nominees Pty Ltd	7,980,168	14.0%
Barings Acceptance Limited	7,371,832	12.9%
Lloyds & Casanove Investment Partners Limited	6,276,040	11.0%
Mr Tie Lim Sung	4,763,500	8.3%
HSBC Custody Nominees (Australia) Limited	1,989,527	3.5%
Citicorp Nominees Pty Limited	1,836,191	3.2%
Stinoc Pty Limited	1,414,038	2.5%
South Seas Holdings Pty Ltd	1,345,430	2.4%
Pilmora Pty Ltd	1,172,304	2.0%
Normandy Finance & Investments Asia Limited	876,459	1.5%
Mr Andrew Tan Teik Wei	811,607	1.4%
Sycamoor Pty Ltd	485,611	0.8%
Redbrook Nominees Pty Ltd	363,375	0.6%
B F A Pty Ltd	297,051	0.5%
CVC Venture Managers Pty Ltd	283,195	0.5%
Mrs Vicky Teoh	281,475	0.5%
Kangiara Pty Limited	252,268	0.4%
French Park Investments Pty Ltd	232,190	0.4%
CRX Investments Pty Ltd	200,000	0.3%

*D. VOTING RIGHTS*

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



# Corporate Directory

## Board of Directors

### Vanda Gould

Non-Executive Chairman

### Eddie L S Tie

Managing Director

### Jonathan Tooth

Non-Executive Director

### Henry Townsing

Non-Executive Director

## Company Secretary

Monica Jovanov

## Corporate Office

Suite 650, Level 6

1 Queens Road

Melbourne VIC 3004

T: 61 (03) 9828 0500

F: 61 (03) 9820 5957

## Australian Regional Office

Unit 1/ 102,

Bath Road Kirrawee

NSW 2232

T: 61 (02) 9545 2633

F: 61 (02) 9545 1311

## Asian Regional Office

No. 23, Jalan Jurunilai U1/20

Hicom Glenmarie Industrial Park

Seksyen U1

40150 Shah Alam

Selangor Darul Ehsan

Malaysia

T: 60 (03) 5569 6323

F: 60 (03) 5569 2393

## Securities Exchange Listing

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

## Auditor

Russell Bedford NSW

Level 29, Suncorp Place

259 George Street

Sydney NSW 2000

## Banker

Westpac Banking Corporation

National Australia Bank Limited

## Solicitor

Mark J Ord

Lawyer & Consultant

Suite 650, Level 6

1 Queens Road

Melbourne VIC 3004

## Share Registry

RB Registries

Level 29, Suncorp Place

259 George Street

Sydney NSW 2000

T: 61 (02) 9032 3000

F: 61 (02) 9251 1275

## Change of Address

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

## Annual Report Mailing

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

## Vita Life Website

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

[www.vitalifesciences.com](http://www.vitalifesciences.com)

# VLS

Vita Life Sciences Ltd  
Australia

# ENRICHING LIVES

## SINCE 1947



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# Vita Life Sciences Limited Annual Report 2015

## **Vita Life Sciences Limited**

ACN 003 190 421  
ABN 35 003 190 421

### **Corporate Office**

Suite 650, Level 6  
1 Queens Road  
Melbourne Victoria 3004  
T: 61 (03) 9828 0500  
F: 61 (03) 9820 5957

### **Australian Regional Office**

Unit 1/102 Bath Road  
Kirrawee NSW 2232  
T: 61 (02) 9545 2633  
T: 61 (02) 9545 1311

### **Asian Regional Office**

No. 23, Jalan Jurunilai U1/20  
Hicom Glenmarie Industrial Park  
Seksyen U1  
40150 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
T: 60 (03) 5569 6323  
F: 60 (03) 5569 2393

### **Email**

[enquiries@vitalifesciences.com.au](mailto:enquiries@vitalifesciences.com.au)

### **Website**

[www.vitalifesciences.com](http://www.vitalifesciences.com)

