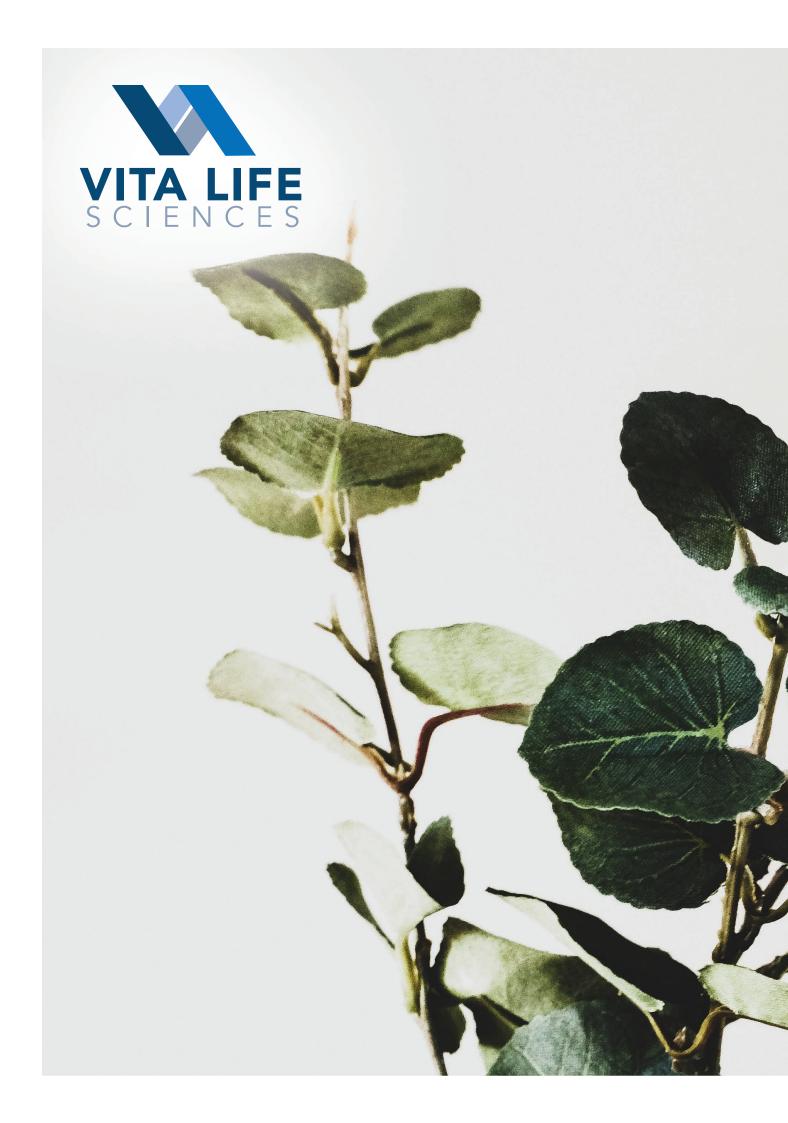


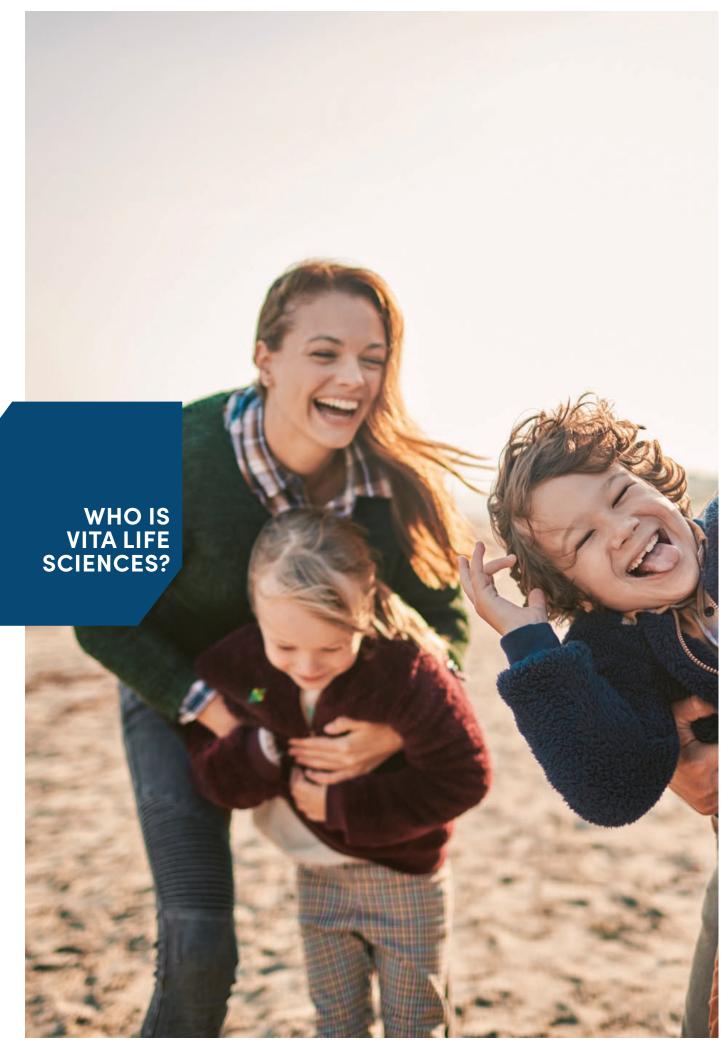
# VITA LIFE SCIENCES ANNUAL REPORT 2018





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VITA LIFE SCIENCES LIMITED ("VITA LIFE SCIENCES", "THE COMPANY" OR "THE GROUP") IS A MULTINATIONAL HEALTHCARE COMPANY INVOLVED IN FORMULATING, PACKAGING, SALES AND DISTRIBUTION OF VITAMINS AND SUPPLEMENTS. VITA LIFE SCIENCES IS REPRESENTED BY THREE MAJOR BRANDS OF HIGH QUALITY SUPPLEMENTS THROUGHOUT THE ASIA-PACIFIC REGION, "VITA HEALTH", "HERBS OF GOLD" AND "VITASCIENCE".

Vita Life Sciences 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;
- 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 Sciences 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 Sciences in 2001. Subsequently, Vita Life Sciences has commenced operations in China, Hong Kong, Thailand, Vietnam and Indonesia.

### **Our Future**

Vita Life Sciences 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 Sciences 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 Sciences 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 Sciences 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 Sciences as a global company and Vita Life Sciences attributes its achievement and success to their dedication.













Dear Shareholder,

Vita Life Sciences' as a truly regional vitamin and health food supplement business has operations in 6 Asian countries and Australia. Asia continues to grow now accounting for 60% of the Group's revenue primarily through the Vita Health brand which enjoys strong customer loyalty having been established for more than 40 years. Likewise, the Company's Australian brand Herbs of Gold, which celebrates its 30th anniversary this year, has an established customer following in the health food store channel.

The Company's long term focus has been to increase sustainable market share by investing in brand equity, expanding market reach and extending product categories. Long term sustainable growth initiatives are seldom about short-term investments as markets and customers take time to adapt and accept the new strategies and products.

To expand the Herbs of Gold customer base in Australia requires increased points of distribution and during the year the Company announced the intention to sell Herbs of Gold products in Australian pharmacies. Prior to this products were only available in around 600 health food stores across Australia. Successfully entering the highly competitive pharmacy market and building a broader customer base via this channel will take time and considerable investment and is viewed by your Directors as being key to delivering sustainable growth over the medium to long term. The required upfront investment commenced in 2018 and will continue in 2019.

Reflecting the Company's continued progress in building out its Asian market footprint, Asian sales revenue grew to \$24.7m or by 14% in 2018. Australian sales grew by 5% in 2018 reflecting the mature nature of the Company's presence in the health food channel. Directors expect the rate of growth to improve in Australia as Herbs of Gold products are introduced into and sold to customers via the pharmacy channel.

Net profit after tax was down to \$2.4m or by 14.8% in 2018 due primarily to a writedown of the Company's property. The investment required to successfully penetrate the pharmacy channel in Australia is significant and is expected to impact profit in 2019. Notwithstanding Directors expect profit to be slightly higher in 2019 than 2018.

The Company continues to be in a strong financial position with net cash of \$8.9m after having returned \$2.7m to Shareholders in 2018. Directors declared a final dividend of 2.25 cents per share, bringing the fully franked dividend to 3.75 cents per share consistent with 2018.

On behalf of the Board, I would like to thank all stakeholders, particularly Shareholders and employees, for their continued support and their contribution to the Company.

**Henry Townsing** 

Acting Chairman 27 March 2019





### MANAGING DIRECTOR'S REVIEW

### Dear Shareholder,

2018 was the second year of a three-year strategic plan set by the Board, whereby the Company aimed to deliver increased revenues across the organisation. Management is pleased to report that Vita Life Sciences delivered a record revenue performance of \$41M. This result reflects the Group's desire to deliver growth across all core markets, whilst maintaining strong financial disciplines.

During the year, the business implemented several key initiatives in line with the strategic plan set by Board. Given the diversity of the business, management rationalised the brand portfolio across the region, allowing for greater focus and consolidated investment within their respective markets. The remaining initiatives outlined below have also manifested into positive results for the Group moving into FY2019.

In October 2018, the company formally announced its intention to distribute the Herbs of Gold brand to Australian Pharmacies and subsequently several Pharmacies agreed to distribute Herbs of Gold products. The existing Health Food channel remains steady and continues to be a critical path to market. The increase in distribution channels within Australia continues to have a positive influence in the Group's domestic and exporting performance. As we move into FY2019, the Australian business will execute a comprehensive national advertising campaign designed to support all retail partners, whilst creating new consumers for Herbs of Gold.

The South East Asian market now represents 60% of the Groups revenues and recorded a solid result against FY2017. A revised shift into major bannered Pharmacies within Malaysia and Singapore combined with a strong pipeline of 20 new products across the region had a strong influence on the performance. The remaining South East Asia markets, especially in Vietnam, Thailand and Indonesia remain a key strategic pillar and have started to gain some momentum this reporting period. The company has now appointed senior managers in all respective markets with a mandate to accelerate sales and EBIT contributions within the region.

Overall the organisation is very well positioned to leverage the market opportunities across the region. The business will continue to maintain a steady course in driving revenues and gross margin retention. Herbs of Gold and VitaHealth brand investment will continue in all core markets, which may impact profitability in the short term.

Moving to the financial performance, the Group recorded revenue of \$41m up 10.6% on FY 2017 with underlying EBIT of \$6.2m up 10.5% on FY2017. The underlying performance of the business was strong and reflects the new direction of the organisation.

### Other key financial results highlighted were:

- Reported EBIT OF \$4.3m was impacted by a \$1.8m non cash fair value adjustment on the Malaysian facility and a \$60k charge for options issued in relations to the Group's china business
- Gross Operating Cashflow /EBITDA of 98%
- Strong balance sheet
- Final dividend of 2.25 cents per share fully franked. Full year dividend of 3.75 cents per share fully franked (2017:3.75 cents per share fully franked)

### Australia

Revenue from the Australian business was \$16.4m (2017: \$15.5m), driven mainly by stronger domestic retailer performance, including increased demand from the "daigou" export market.

The Company announced to the market the expansion of the Herbs of Gold brand into selected pharmacies. Several new distribution agreements have been signed and its anticipated that revenues will flow through from 2019.

To support the expansion strategy the business has invested into several branding and marketing activities including a significant consumer advertising campaign. This strategy aims to create broader brand awareness amongst consumers, both domestically and internationally.

### MANAGING DIRECTOR'S REVIEW (CONTINUED)

### Malaysia and Singapore

The Malaysian business produced a strong performance. Revenue from operations was \$14.9m (2017: \$12.9m). The Malaysian business performance was partly influenced by the stronger Malaysian ringgit, as well as a rejuvenated focus on the base business driving VitaHealth and Herbs of Gold brands within the sector.

During the year the Company's Asian headquarters in Kuala Lumper were independently valued. The headquarters were acquired in 2014 at a cost, including subsequent renovations, of \$9.4m and were valued at \$7.9m as at 31 December 2018. The write down in value of \$1.8m reflects the current property market conditions.

Singapore generated revenues of \$6.8m (2017: \$6.3m. The Singaporean market performance was solid notwithstanding the challenging trading conditions within this market. The business continues to increase retail trade investment through advertising and promotional activities to drive and maintain revenue growth.

### Other Asia

Revenue in the Group's expanding markets, namely Vietnam, Thailand and Indonesia, grew to \$2.9m (2017: \$2.2m). Strong growth continued to be recorded in Vietnam with modest growth coming from Thailand. We expect greater growth in Thailand partly due to our change in strategy with the appointment of a new country manager. Indonesia and direct sales into China continue to be challenging markets for the Group.

### **Outlook for 2019**

Vita Life Sciences is very well positioned to leverage market opportunities across the region and is expecting moderate growth moving forward. Directors intend to provide more detailed guidance mid-way through the year.

Andrew O'Keefe

Managing Director 27 March 2019



## YOUR DIRECTORS' SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

### **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 Henry G Townsing

## Acting Chairman 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 was appointed as the Acting Chairman of the Company effective 13 October 2016 when Mr Gould stepped down as the Chairman.

Mr Townsing lives in Melbourne.

### Mr Andrew O'Keefe

### **Managing Director**

Dip.Mkt Mgt

Mr O'Keefe was appointed Managing Director on 1 January 2017.

Mr O'Keefe has over 20 years' experience within the Australian pharmaceutical and healthcare industry. During his career Mr O'Keefe has held senior leadership positions in publicly listed companies and in recent times was the CEO of Australia's largest Heath Food distributor and retailer. Andrew O'Keefe was appointed to the position of Chief Executive Officer – Herbs of Gold Australia in Oct 2014. Mr O'Keefe resides in Sydney.

### Mr Vanda R Gould

### **Non-Executive Director**

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, however he stepped down again as Chairman effective 13 October 2016. Mr Gould 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 Jonathan J Tooth

### **Non-Executive Director**

B.Ec

Mr Tooth was appointed as a Non-Executive Director of the Company on 26 July 2012. 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, Generation Development Group Limited (previously known as Austock Group Limited) since 2012 and, Sensera Limited since 2016

Mr Tooth lives in Melbourne.

### **Mr Shane Teoh**

### **Non-Executive Director**

B Com, LLB

Mr Teoh was appointed as a Non-Executive Director of the Company effective 4 October 2016.

Mr Teoh has served as a non executive director of TPG Telecom Limited since 2012, iiNet Limited since 2018 and, is also the managing director of Total Forms Pty Limited, a leading developer of accounting and taxation software in Australia.

Mr Teoh resides in Sydney.

### **COMPANY SECRETARY**

### Mr Chin L Khoo

Company Secretary Chief Financial Officer

CA, CPA, AGIA, MBA

Mr Khoo was appointed the Chief Financial Officer of the Company effective 1 May 2017 and the Company Secretary effective 30 June 2017. Mr Khoo had previously held the Company Secretary position briefly in 2011. Mr Khoo has spent over the past 20 years working in various industries in the Asia Pacific region. He was also with the Group from 2004 to 2011.

Mr Khoo resides in Sydney.

## **DIRECTORS'** REPORT

### DIRECTORS' REPORT (CONTINUED)

### INTERESTS IN THE SHARES OF THE COMPANY

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 Directors' report date
Mr Vanda R Gould (1)	NBI	10,195,152
Mr Andrew O'Keefe	BI	1,000,000
Mr Shane Teoh	NBI	8,435,693
Mr Jonathan J Tooth	NBI	226,157
Mr Henry G Townsing	BI	15,270
	NBI	438,597

BI: Beneficial interest NBI: Non-beneficial interest

(1) 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 said that Director Vanda Gould controlled certain companies that are shareholders of the Company, which would in turn, increase Mr Gould's 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 in the subject proceedings nor was Mr Gould a witness in the case. Mr Gould has advised that he may contest the assertion that he controls certain companies that are shareholders in the Company in the appropriate forums. In order to avoid a possible breach of the Corporations Act 2001 it has been considered appropriate at this stage to increase the number of shares in which Mr Gould is recorded as having a relevant interest from 1,643,713 to 10,195,152.

### **DIVIDENDS**

On 14 February 2019, the Directors declared a final fully franked dividend of 2.25 cents per share totalling \$1,211,451 in respect of the financial year ended 31 December 2018 (2017: fully franked dividend of 2.25 cents per share totalling \$1,211,451), payable on 5 April 2019. A fully franked interim dividend of 1.5 cents per share was paid on 8 October 2018 (2017: fully franked 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.

### **REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

Refer to Managing Director's Review.

### SIGNIFICANT CHANGES IN STATE OF **AFFAIRS**

On 18 May 2017 and 25 May 2018, 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 2018, the Company bought

back 1,074,769 (2017: 191,204) shares for total consideration of \$756,100 (2017: \$193,334).

### SIGNIFICANT EVENTS AFTER BALANCE DATE

On 3 January 2018, Tranche 3 comprising 1,106,000 share options granted to a nonexecutive director of a controlled entity, Mr Liyang Liu, expired as they had not been exercised. As a result of this, all share options granted to Mr Liyang Liu earlier have been cancelled, as they have expired unexercised.

On 14 February 2019, the Directors declared a final fully franked dividend of 2.25 cents per share totalling \$1,211,451 in respect of the financial year ended 31 December 2018 (2017: fully franked dividend of 2.25 cents per share totalling \$1,211,451), payable on 5 April 2019.

On 8 March 2019, 970,000 new Long Term Incentive Plan Shares were issued to key executives of the Group. 485,000 shares have a performance hurdles combining the 2019 and 2020 financial years with a final expiry date of 30 June 2021 and an exercise price of \$1.00 should the hurdle be reached. 485,000 shares have a performance hurdles combining the 2020 and 2021 financial years with a final

expiry date of 30 June 2022 and an exercise price of \$1.20 should the hurdle be reached.

### **FUTURE DEVELOPMENTS AND RISKS**

The Board has continued confidence in the Company's strategies, in the capability of the management 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

In this regard, 2018 will be the second year of a three-year strategic plan set by the Board whereby the Company aims to grow future revenues. As outlined earlier, it plans to increase investment in both advertising and promotional activities, whilst broadening distribution channels within key markets. This strategy may impact profitability in the short term, with a view to increase profitability in the medium term

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:

### DIRECTORS' REPORT (CONTINUED)

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

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 market 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 Sciences 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 \$107,513 (2017: \$40,981).

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



## **DIRECTORS REPORT**

### **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS' MEETINGS**

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 Committe Meetings		Board nomination committee		Renumeration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Andrew O'Keefe	9	9	*	*	*	*	*	*
Mr Vanda R Gould	9	7	3	3	-	-	2	2
Mr Shane Teoh	9	9	*	*	*	*	*	*
Mr Jonathan J Tooth	9	8	3	3	*	*	*	*
Mr Henry G Townsing	9	9	*	*	-	-	2	2

<sup>\*</sup> Not a member of the committee.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The Directors have received an Independence Declaration from the external auditor, Nexia Sydney Audit Pty Limited. 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.

Associates of Nexia Sydney Audit Pty Limited received or are due to receive the following amounts for the provision of non-audit services:

	\$'000
Tax compliance services	17
Share registry services	39
TOTAL	56

### **ROUNDING OFF**

In accordance with Australian Securities and Investments Commission (ASIC) ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 1 April 2016, 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 O'Keefe 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's 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.

### SHAREHOLDINGS 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 of 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.

### DIRECTORS' REPORT (CONTINUED)

### **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 Total remuneration for all existing nonof potential conflicts.

## PROCEEDINGS ON BEHALF OF THE

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.

### **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.

executive Directors during the financial year was \$125,925 (2017: \$125,925). These fees are within the aggregate remuneration of \$150,000 (2017: \$150,000) for all non-executive Directors as approved by shareholders at the Annual General Meeting (AGM) held on 12 May 2016.

### 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

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.

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 12 May 2016 when shareholders approved an aggregate remuneration of \$150,000 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 nonexecutive 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

### **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.

## 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 1,000,000 unexpired plan shares equivalent to 1.8% of the Company's capital. The principal terms and conditions of the Plan are:

- The Company lends money on a nonrecourse 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

### **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT (CONTINUED) Executive remuneration (continued)**

- Any dividends paid will be applied to the principal and or interest charged on the loan.

## **Employment contracts**

Mr Andrew O'Keefe was appointed as the Managing Director on 1 January 2017.

The principal terms of Mr O'Keefe's contract

- Fixed remuneration of \$441,048 (including superannuation) for the year ended 31 December 2018. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr O'Keefe is entitled to receive Plan shares

subject to shareholders' approval. Refer to note 25, Share Based Payment Plans of the financial statements for information on Plan shares issued to Mr O'Keefe.

- Mr O'Keefe may be entitled to receive a bonus on achieving certain benchmarks and targets.
- The Company may terminate Mr O'Keefe's employment agreement by providing 6 months' written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.
- Mr O'Keefe may resign by providing 6 months' written notice.

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing (depending on the individual's contract) between 1 and 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.

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.



## DIRECTORS' REPORT

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT (CONTINUED)**

Remuneration of Key Management Personnel (Continued)

	Short ter	m employe	e benefits	Long term	Post employment			
2018	Salary & Fees	Bonus	Share based payments	employee benefits	benefits Superannuation	Total	Performance Rated	
	\$	\$	\$	\$	\$	\$	%	
Directors								
Mr Henry Townsing Non-executive Acting Chairman	46,000	-	-	-	4,370	50,370	n/a	
Andrew O'Keefe Managing Director	421,000	-	(24,125)	6,881	20,048	423,804	-6%	
Mr Vanda R Gould Non-executive Director	23,000	-	-	-	2,185	25,185	n/a	
Mr Jonathan J Tooth Non-executive Director	23,000	-	-	-	2,185	25,185	n/a	
Mr Shane Teoh Non-executive Director	23,000	-	-	-	2,185	25,185	n/a	
Total Directors Compensation (1)	536,000	-	(24,125)	6,881	30,973	549,729	-4%	
Key Management Personnel								
Chin L Khoo CFO & Company Secretary	164,666	-	-	-	15,643	180,309	0%	
Melissa Pereira Group Marketing Manager	140,000	8,000	-	1,479	14,060	163,539	5%	
Dr. Edward Choo CEO-Asia Pacific	209,789	17,482	-	-	27,191	254,462	7%	
KS Beh Operations-Asia Pacific	83,565	23,876	-	-	13,105	120,546	20%	
Dr. Purnawati Wibawa, MM Director - Indonesia	32,995	-	-	-	-	32,995	0%	
Chittaphat Yunanphong Director - Thailand	36,503	-	-	-	-	36,503	0%	
Total Key Management Compensation	667,518	49,358	-	1,479	69,999	788,354	6%	
Grand total	1,203,518	49,358	(24,125)	8,360	100,972	1,338,083	4%	

<sup>(1)</sup> Refer to Note 21 for transactions with companies related to Directors

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT (CONTINUED)**

**Remuneration of Key Management Personnel (Continued)** 

	Short ter	m employee	benefits	Long town	Post		
2017	Salary & Fees	Bonus	Share based payments	Long term employee benefits	employment benefits Superannuation	Total	Performance Rated
	\$	\$	\$	\$	\$	\$	%
Directors							
Mr Henry Townsing Non-executive Acting Chairman	46,000	-	(115,800)	-	4,370	(65,430)	n/a
Andrew O'Keefe (2) Managing Director	408,000	35,000	(23,164)	5,928	19,416	445,180	3%
Mr Vanda R Gould Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Jonathan J Tooth Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Shane Teoh Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Total Directors Compensation (1)	523,000	35,000	(138,964)	5,928	30,341	455,305	-22%
Key Management Personnel							
Chin L Khoo (3) CFO & Company Secretary	106,051	-	-	-	10,075	116,126	0%
Melissa Pereira (4) Group Marketing Manager	125,410	-	-	5,181	11,914	142,505	0%
Dr. Edward Choo (5) CEO-Asia Pacific	50,367	-	-	-	4,458	54,825	0%
K S Beh (6) Operations-Asia Pacific	61,873	16,985	-	-	7,757	86,615	20%
Dr. Purnawati Wibawa, MM Director - Indonesia	31,573	2,631	-	-	-	34,204	8%
Chittaphat Yunanphong	29,880	1,090	-	-	-	30,970	5%
Director - Thailand							
Director - Ihailand  Total Key Management Compensation	405,154	20,706	-	5,181	34,204	465,245	5%

<sup>(1)</sup> Refer to Note 21 for transactions with companies related to Directors

<sup>(2)</sup> Mr O'Keefe was appointed Managing Director effective 1 January 2017

<sup>(3)</sup> Mr Khoo was appointed as Chief Financial Officer on 1  $\,$ May 2017 and Company Secretary on 30 June 2017

<sup>(4)</sup> Mrs Melissa Pereira became a member of the Key Management Personnel due to her extensive duties and responsibilities

<sup>(5)</sup> Dr Choo was appointed CEO-Asia Pacific on 15 September 2017

<sup>(6)</sup> Ms Beh became a member of the Key Management Personnel due to her extensive duties and responsibilities

## **DIRECTORS' REPORT**

### **DIRECTORS' REPORT (CONTINUED)**

### **EQUITY HOLDINGS AND TRANSACTIONS**

The number of ordinary shares in the Company held by each specified Director or specified executive, including their personallyrelated entities, during the 2018 and 2017 financial years are as follows:

2018		At 1 January 2018	Purchases	LTIP Shares: Allocated (1)	Disposal (2)	At 31 December 2018 (3)
DIRECTORS						
Mr Andrew O'Keefe (4)	Beneficial Interest	1,200,000	-	1,000,000	(1,200,000)	1,000,000
Mr Vanda R Gould (5)	Non beneficial interest	10,195,152	-	-	-	10,195,152
Mr Shane Teoh	Non beneficial interest	8,435,693	-	-	-	8,435,693
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
Mr Henry G Townsing	Beneficial Interest Non beneficial interest	15,270 1,038,597	-	-	- (600,000)	15,270 438,597
KEY MANAGEMENT PERSONNEL		,,,,,,,,,			(===,===,	/ :
Mr Chin L Khoo (6)	Beneficial Interest Non beneficial interest	8,000 10,000	1,000	-	-	9,000 10,000
	Non penendia interesi		-		-	
Total	_	21,128,869	1,000	1,000,000	(1,800,000)	20,329,869

2017		At 1 January 2017	Purchases	LTIP Shares: Allocated / (cancelled) (1)	Disposal	At 31 December 2017 (3)
<b>DIRECTORS</b> Mr Andrew O'Keefe (4)	Beneficial Interest	200,000	_	1,000,000	_	1,200,000
WIT ATTUREW O Reete (4)	Defleticial iffletesi	200,000	_	1,000,000	_	1,200,000
Mr Vanda R Gould (5)	Non beneficial interest	10,195,152	-	-	-	10,195,152
Mr Shane Teoh	Non beneficial interest	8,435,693	-	-	-	8,435,693
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
Mr Henry G Townsing	Beneficial Interest Non beneficial interest	15,270 1,038,597	-	<del>-</del> -	-	15,270 1,038,597
KEY MANAGEMENT PERSONNEL						
Mr Chin L Khoo (6)	Beneficial Interest	8,000	-	-	-	8,000
	Non beneficial interest	10,000	-	-	-	10,000
Total		20,128,869	-	1,000,000	-	21,128,869

- (1) Refer to note 25 to the financial statements for details of Long Term Incentives.
- (2) During the year, 1,000,000 shares of Mr O'Keefe expired/ cancelled and, was replaced by 1,000,000 new shares under new terms and conditions. 200,000 shares of Mr O'Keefe and 600,000 shares of Mr Townsing were also cancelled during the year as the performance hurdles set previously were not met.
- (3) Any Directors or Key Management Personnel as disclosed in the remuneration tables at pages 16 and 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 O'Keefe was appointed Managing Director of the Company on 1 January 2017.
- 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 said that Director Vanda Gould controlled certain companies that are shareholders of the Company, which would in turn, increase Mr Gould's 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 in the subject proceedings nor was Mr Gould a witness in the case. Mr Gould has advised that he may contest the assertion that he controls certain companies that are shareholders in the Company in the appropriate forums. In order to avoid a possible breach of the Corporations Act 2001 it has been considered appropriate at this stage to increase the number of shares in which Mr Gould is recorded as having a relevant interest from 1,643,713 to 10,195,152.
- Mr Khoo was appointed as the Chief Financial Officer on 1 May 2017 and Company Secretary on 30 June 2017.

## **DIRECTORS' REPORT (CONTINUED)**

### LONG TERM INCENTIVE PLAN SHARES

The following table discloses the details of Long Term Incentive Plan Shares on issue to Directors and Key Management Personnel as at 31 December 2018.

2018	Number of LTIP shares on issue	Fair value at grant date	Exercise price per LTIP share	Amount payable	Terms - years	Expiry Date	Performance Hurdle
DIRECTORS							
Mr Andrew O'Keefe	500,000	0.13	0.80	400,000	2.0	30/06/2020	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2018 and 31 Dec 2019 being not less than \$11,400,000
	500,000	0.11	1.00	500,000	3.0	30/06/2021	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than \$16,000,000
Total	1,000,000			900,000			

### **END OF REMUNERATION REPORT**

Signed in accordance with a resolution of the Directors.

Andrew O'Keefe

Managing Director 27 March 2019



The Board of Directors Vita Life Sciences Limited Unit 1/102 Bath Road Kirrawee NSW 2232

To the Board of Directors of Vita Life Sciences Limited

### Auditor's Independence Declaration under section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Vita Life Sciences Limited for the financial year ended 31 December 2018, 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; (a)
- any applicable code of professional conduct in relation to the audit. (b)

Yours sincerely

Nern

**Nexia Sydney Audit & Assurance** 

Joseph Santangelo

Director

27 March 2019 Sydney

### **Nexia Sydney Audit & Assurance**

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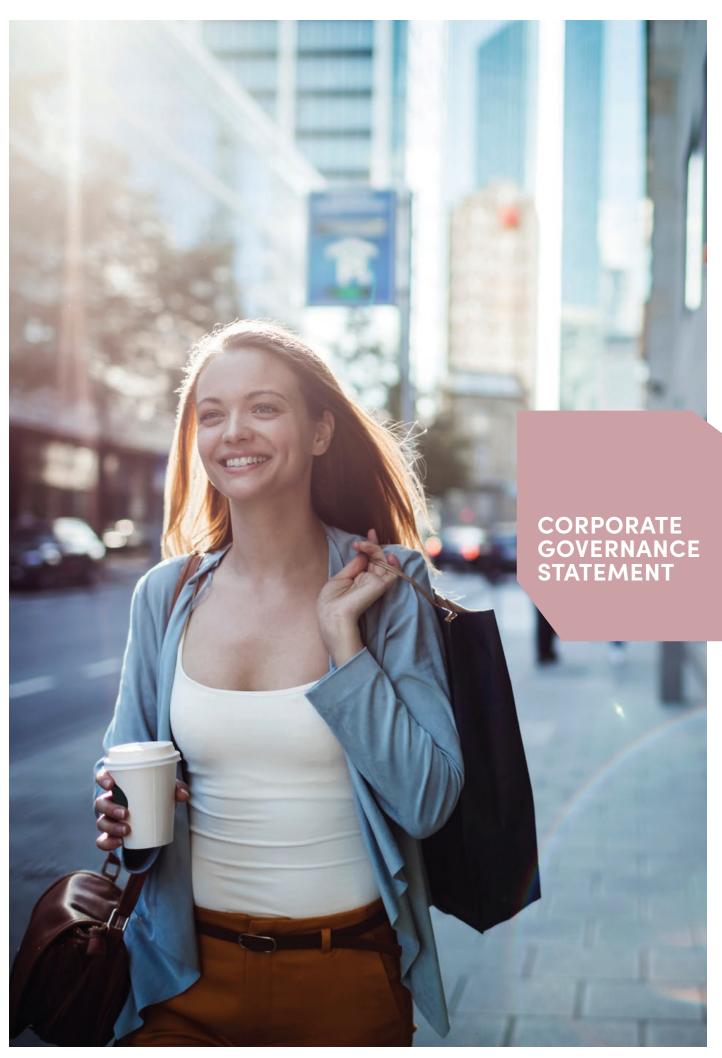
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# CORPORATE GOVERNANCE STATEMENT

### 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

The Directors of Vita Life Sciences Limited are responsible for the corporate governance of the Vita Life Sciences 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 2018, there were four nonexecutive 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

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.

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 nonexecutive 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

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.

	2018	2017
Whole organisation	87%	87%
Senior Executives	57%	67%
Board of Directors	0%	0%

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

### **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.

# CORPORATE GOVERNANCE STATEMENT

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

The number of times the Board 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 9, Table 1 below sets out specific relevant skills and experience of the Board collectively.

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

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

### **DIRECTOR INDEPENDENCE** (PRINCIPLE 2.4)

Using the criteria recommended by the ASX Guidelines, all four of the Company's nonexecutive Directors (Mr Gould, Mr Townsing, Mr Tooth and Mr Teoh) 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

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 Sciences Group member.

Mr Gould, Mr Tooth, Mr Townsing and Mr Teoh 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 Townsing who was appointed to the role of Acting Chairman on 13 October 2016, is an independent nonexecutive Director and there is a clear division of responsibility between the Chairman and the CEO/Managing Director. Mr Townsing holds approximately 0.8% of the Company's Shares (recommendations permit 5%).

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

Leadership of the Board;

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

### **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 Sciences act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

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

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

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;

- Reviewing procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.
- 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; and
- Action plans to address control improvement areas.

### **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

# CORPORATE GOVERNANCE STATEMENT

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- 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, Nexia Sydney Audit Pty Limited, 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 COMMITEE (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.
- 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.

Board considers that the general retention by

it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

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

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

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

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 combined experience that Mr Gould and Mr Tooth possess, adequately mitigates this requirement.

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

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, senior executives and non-executive Directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment

covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel. The Board does not comply with the ASX requirement to have at least three 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 13 to 19. Nonexecutive 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") 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 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.



### Checklist for summarising the best practise recommendations and compliances

### Principle 1: Lay solid foundations for management and oversight

ASX P	inciple	Compliance
1.1	A listed entity should disclose:	COMPLY
	(a) the respective roles and responsibilities of its board and management; and	
	(b) those matters expressly reserved to the board and those delegated to management.	
1.2	A listed entity should:	COMPLY
	(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	
	(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	COMPLY
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	COMPLY
1.5	A listed entity should:	COMPLY
	<ul> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> </ul>	
	(b) disclose that policy or a summary of it; and	
	(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:	
	(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	
	(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	
1.6	A listed entity should:	COMPLY
	(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	
1.7	A listed entity should:	COMPLY
	(a) have and disclose a process for periodically evaluating the performance of its senior executives; and	
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	

### Principle 2: Structure the board to add value

ASX I	Principle Princi	Compliance
2.1	The board of a listed entity should:	DO NOT COMPLY
	(a) have a nomination committee which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	COMPLY

2.3	A listed entity should disclose:	COMPLY
	(a) the names of the directors considered by the board to be independent directors;	
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	
	(c) the length of service of each director.	
2.4	A majority of the board of a listed entity should be independent directors.	COMPLY
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	COMPLY
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	COMPLY

## Principle 3: Act ethically and responsibly

ASX Principle		Compliance
3.1	A listed entity should:	COMPLY
	(a) have a code of conduct for its directors, senior executives and employees; and	
	(b) disclose that code or a summary of it.	

## Principle 4: Safeguard integrity in financial reporting

ASX Principle		Compliance
4.1	The board of a listed entity should:	
	(a) have an audit committee which:	DO NOT COMPLY
	(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	
	(ii) is chaired by an independent director, who is not the chair of the board,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the relevant qualifications and experience of the members of the committee; and	
	(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	COMPLY
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	COMPLY



### Principle 5: Make timely and balanced disclosure

<b>ASX F</b>	ASX Principle	
5.1	A listed entity should:	COMPLY
	(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	
	(b) disclose that policy or a summary of it.	

### Principle 6: Respect the rights of security holders

ASX Principle		Compliance
6.1	A listed entity should provide information about itself and its governance to investors via its website.	COMPLY
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	COMPLY
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	COMPLY
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	COMPLY

### Principle 7: Recognise and manage risk

ASX P	rinciple	Compliance
7.1	The board of a listed entity should:	DO NOT COMPLY
	(a) have a committee or committees to oversee risk, each of which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	
7.2	The board or a committee of the board should:	COMPLY
	(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	
	(b) disclose, in relation to each reporting period, whether such a review has taken place.	
7.3	A listed entity should disclose:	DO NOT COMPLY
	(a) if it has an internal audit function, how the function is structured and what role it performs; or	
	(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	COMPLY

## Principle 8: Remunerate fairly and responsibly

<b>ASX Pr</b>	inciple	Compliance
8.1	The board of a listed entity should:	DO NOT COMPLY
	(a) have a remuneration committee which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	COMPLY
8.3	A listed entity which has an equity-based remuneration scheme should:	COMPLY
	(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	
	(b) disclose that policy or a summary of it.	





## CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER         Autority (2010)         2017 (2010)           CONTINUING OPERATIONS         3,3,500         3,7,204           Cost of soles         (3,3,510)         (12,122)           Cross profit         27,641         25,082           Other income         4 (a)         3         3           Distribution expenses         (3,838)         3,4155           Marketing expenses         (2,901)         (2,144)           Occupancy expenses         4 (b)         (3,638)         (780)           Marketing expenses         4 (b)         (3,638)         (780)           Administrative expenses         4 (b)         (3,608)         (780)           Administrative expenses         4 (c)         (300)         (42,24)           Other expenses         4 (c)         (300)         (42)           Share of pions expense         4 (c)         (300)         (42)           Share of pions expense         4 (c)         (300)         (42)           Fibration of expenses         4 (d)         (60)         (332)           For fibration continuing operations before interest and taxes         4,341         4,988           Finance income         4 (e)         (1,892)         1,459 <t< th=""><th></th><th></th><th colspan="2">Consolidated</th></t<>			Consolidated	
Scale of goods	FOR THE YEAR ENDED 31 DECEMBER	Notes	2018	2017
Sole of goods			\$'000	\$′000
Cost of soles	CONTINUING OPERATIONS			
Cross profit         27,641         25,082           Other income         4 (a)         33         1           Distribution expenses         (3,836)         (3,415)           Morketing expenses         (2,901)         (2,144)           Morketing expenses         (68)         (780)           Administrative expenses         4 (b)         (35,70)         (12,704)           Other expenses         4 (c)         (300)         (412)           Shore options expense         4 (d)         (60)         (932)           Foir value loss adjustment on building         12 (b)         (,1812)         -           Foir value loss adjustment on building         12 (b)         (,1812)         -           Shore of associate's profit         2 (d)         (60)         (932)           Foir value loss adjustment on building         1 (b)         (,182)         -           Phofit for more transfer transfer interest and taxes         4 (d)         (108)         113           Finance income         4 (e)         108         113           Finance income         4 (e)         108         113           Finance income         4 (f)         (129)         (1,892)           Profit for the year         2 (33)	Sale of goods		41,151	37,204
Distribution expenses	Cost of sales		(13,510)	(12,122)
Distribution expenses   (3,836) (3,415)     Marketing expenses   (2,901) (2,144)     Occupancy expenses   (366) (780)     Administrative expenses   4 (b) (13,570) (12,704)     Other expenses   4 (c) (300) (412)     Sharre options expense   4 (c) (300) (412)     Sharre options expense   4 (d) (60) (932)     Fair value loss adjustment on building   12 (b) (1,812)     Fair value loss adjustment on building   12 (b) (1,812)     Fair value loss adjustment on building   12 (b) (1,812)     Fair value loss adjustment on building   12 (b) (1,812)     Froffit from continuing operations before interest and taxes   4,351     Finance income   4 (e) (138   138     Finance costs   4 (f) (129   (135   138     Finance costs   4 (f) (129   (135   138     Froffit for the year   4,330   4,676     Income tax expense   6 (a) (1,897) (1,820)     Net proffit for the year   2,433   2,856     Other comprehensive income after income tax     Items that will be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific conditions are met:    Items that will not be reclassified subsequently to profit or loss when specific	Gross profit		27,641	25,082
Morketing expenses         (2,901)         (2,144)           Occupancy expenses         (868)         (780)           Administrative expenses         4 (b)         (13,570)         (12,704)           Other expenses         4 (c)         (300)         (412)           Shore options expense         4 (d)         (60)         (932)           Fair value loss adjustment on building         12 (b)         (1,812)            Shore of associate's profit         24         2         2           Profit from continuing operations before interest and taxes         4 (d)         (180)         113           Finance costs         4 (f)         (129)         (135)           Froit from continuing operations before interest and taxes         4 (f)         (129)         (135)           Finance costs         4 (f)         (129)         (135)         (135)           Finance costs         4 (f)         (129)         (135)         (135)           Profit from contribute profit of the year costs         4 (f)         (129)         (135)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)         (1450)	Other income	4 (a)	33	1
Occupancy expenses         4 (b. (357) (12,704)           Administrative expenses         4 (c. (300) (412)           Other expenses         4 (c. (300) (412)           Share options expense         4 (d. (d. (60) (932)           Fair value loss adjustment on building         12 (d. (802) (1812)           Shore of associate's profit         24 (d. (802) (1812)           Profit from continuing operations before interest and taxes         4 (e. (102) (182) (1835)           Finance income         4 (e. (102) (1830) (1830)           Finance costs         4 (f. (129) (1835) (1830)           Profit fore income tax         4 (f. (129) (1830) (1830)           Items that will be reclassified subsequently to profit or loss when specific conditions are mets.         2 (43) (1897) (1820)           Exchange differences on translating foreign controlled entities         1 (46) (25) (1897) (1820)           Other comprehensive income for the year, net of income tax         1 (46) (25) (25) (25) (25) (25) (25) (25) (25	Distribution expenses		(3,836)	(3,415)
Administrative expenses         4 (b)         (13,570)         (12,704)           Other expenses         4 (c)         (300)         (412)           Share options expense         4 (d)         (60)         (932)           Fair value loss adjustment on building         12 (b)         (1,812)            Share of associate's profit         2 (d)         2         2           Profit from continuing operations before interest and taxes         4,351         4,698         108         113           Finance income         4 (e)         108         113         160         108         113           Finance costs         4 (f)         (129)         (135)         4,676         108         113           Income tax expense         6 (a)         (1,897)         (1,820)         1,820         1,8	Marketing expenses			` ' '
Character expenses				
Share options expense         4 (d)         (60)         (932)           Fair value loss adjustment on building         12 (b)         (1,812)	·			
Fair value loss adjustment on building	·			
Share of associate's profit         24         2           Profit from continuing operations before interest and taxes         4,851         4,898           Finance income         4 (e)         108         113           Finance costs         4 (f)         (129)         (135)           Profit before income tax         4,330         4,676           Income lax expense         6 (a)         (1,897)         (1,820)           Net profit for the year         2,433         2,856           Other comprehensive income after income tax         4         4         4         4         4         4         4         4         4         4         4         4         3         4         6         6         (1,897)         (1,820)         4         6         1         4         9         2         5         6         6         (1,897)         (1,820)         1         4         9         2         5         6         6         0         (1,897)         (1,820)         1         4         9         2         5         6         0         1         4         9         2         2         4         2         4         2         2         2         2         2 </td <td>·</td> <td></td> <td></td> <td>(932)</td>	·			(932)
Profit from continuing operations before interest and taxes		12 (b)		-
Finance income	Share of associate's profit		24	2
Finance costs	Profit from continuing operations before interest and taxes		4,351	4,698
Profit before income tax         4,330         4,676           Income tax expense         6 (a)         (1,897)         (1,820)           Net profit for the year         2,433         2,856           Other comprehensive income after income tax           Items that will be reclassified subsequently to profit or loss when specific conditions are met:           Exchange differences on translating foreign controlled entities         1,469         225           Other comprehensive income for the year, net of income tax         1,469         225           Items that will not be reclassified subsequently to profit or loss when specific conditions are met:         325         -           Fair value adjustment on land         12 (b)         325         -           Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year attributable to:         4,227         3,081           Non-controlling interest         (6)         (7)           Members of the parent         6         (7)				
Income tax expense         6 (a)         (1,897)         (1,820)           Net profit for the year         2,433         2,856           Other comprehensive income after income tax         Items that will be reclassified subsequently to profit or loss when specific conditions are met:           Exchange differences on translating foreign controlled entities         1,469         225           Other comprehensive income for the year, net of income tax         1,469         225           Items that will not be reclassified subsequently to profit or loss when specific conditions are met:         12 (b)         325         -           Fair value adjustment on land         12 (b)         325         -           Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year net of income tax         4,227         3,081           Net profit/(loss) for the year attributable to:         (6)         (7)           Members of the parent         (7)         (7) <td></td> <td>4 (f)</td> <td></td> <td></td>		4 (f)		
Net profit for the year  Other comprehensive income after income tax  Items that will be reclassified subsequently to profit or loss when specific conditions are met:  Exchange differences on translating foreign controlled entities Other comprehensive income for the year, net of income tax  Items that will not be reclassified subsequently to profit or loss when specific conditions are met:  Fair value adjustment on land 12 (b) 325 - Other comprehensive income for the year, net of income tax 325 - Other comprehensive income for the year, net of income tax  Total comprehensive income for the year net of income tax  Non-controlling interest Solution Solut				
Other comprehensive income after income tax       Items that will be reclassified subsequently to profit or loss when specific conditions are met:       Exchange differences on translating foreign controlled entities     1,469     225       Other comprehensive income for the year, net of income tax     1,469     225       Items that will not be reclassified subsequently to profit or loss when specific conditions are met:     325     -       Fair value adjustment on land     12 (b)     325     -       Other comprehensive income for the year, net of income tax     325     -       Total comprehensive income for the year     4,227     3,081       Net profit/(loss) for the year attributable to:     (6)     (7)       Non-controlling interest     (6)     (7)       Members of the parent     (6)     (7)       Non-controlling interest     (6)     (7)       Non-controlling interest     (6)     (7)       Non-controlling interest     (6)     (7)       Members of the parent     4,233     3,088       Earnings per share (cents per share)     5     4,444     5,21	Income tax expense	6 (a)	(1,897)	(1,820)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:Exchange differences on translating foreign controlled entities1,469225Other comprehensive income for the year, net of income tax1,469225Items that will not be reclassified subsequently to profit or loss when specific conditions are met:325-Fair value adjustment on land12 (b)325-Other comprehensive income for the year, net of income tax325-Total comprehensive income for the year4,2273,081Net profit/(loss) for the year attributable to:(6)(7)Non-controlling interest(6)(7)Members of the parent2,4392,863Total comprehensive income attributable to:(6)(7)Non-controlling interest(6)(7)Members of the parent(6)(7)Members of the parent4,2333,0884,2273,081Earnings per share (cents per share)54,445.21	Net profit for the year	_	2,433	2,856
met:           Exchange differences on translating foreign controlled entities         1,469         225           Other comprehensive income for the year, net of income tax         1,469         225           Items that will not be reclassified subsequently to profit or loss when specific conditions are met:         Fair value adjustment on land         12 (b)         325         -           Foir value adjustment on land         12 (b)         325         -           Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year         4,227         3,081           Net profit/(loss) for the year attributable to:         Non-controlling interest         (6)         (7)           Members of the parent         2,439         2,863           Total comprehensive income attributable to:         Non-controlling interest         (6)         (7)           Members of the parent         4,233         3,088           Members of the parent         4,233         3,081           Earnings per share (cents per share)         5         4,44         5,21	Other comprehensive income after income tax			
Other comprehensive income for the year, net of income tax         1,469         225           Items that will not be reclassified subsequently to profit or loss when specific conditions are met:         Items that will not be reclassified subsequently to profit or loss when specific conditions are met:           Fair value adjustment on land         12 (b)         325         -           Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year         4,227         3,081           Net profit/(loss) for the year attributable to:         (6)         (7)           Members of the parent         2,439         2,863           Total comprehensive income attributable to:         (6)         (7)           Non-controlling interest         (6)         (7)           Members of the parent         (6)         (7)           Members of the parent         4,233         3,088           4,227         3,081           Earnings per share (cents per share)         5         4.44         5.21				
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:  Fair value adjustment on land 12 (b) 325 - Other comprehensive income for the year, net of income tax 325 -  Total comprehensive income for the year attributable to:  Non-controlling interest (6) (7)  Members of the parent 2,439 2,863 2,439 2,863 2,433 2,856  Total comprehensive income attributable to:  Non-controlling interest (6) (7)  Members of the parent (6) (7)  Members of the parent (6) (7)  Members of the parent (5) (6) (7)  Members of the parent (5) (6) (7)  Members of the parent (5) (6) (7)  Members of the parent (6) (7)  Members of the parent (6) (7)  Members of the parent (7) (6) (7)  Members of the parent (7) (7) (7) (7)  Members of the parent (7) (7) (7) (7) (7) (7) (7) (7) (7) (7)	Exchange differences on translating foreign controlled entities		1,469	225
Agree met:         Fair value adjustment on land         12 (b)         325         -           Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year         4,227         3,081           Net profit/(loss) for the year attributable to:         \$	Other comprehensive income for the year, net of income tax		1,469	225
Other comprehensive income for the year, net of income tax         325         -           Total comprehensive income for the year         4,227         3,081           Net profit/(loss) for the year attributable to:         \$				
Total comprehensive income for the year         4,227         3,081           Net profit/(loss) for the year attributable to:         (6)         (7)           Non-controlling interest         (6)         (7)           Members of the parent         2,439         2,863           Total comprehensive income attributable to:         (6)         (7)           Non-controlling interest         (6)         (7)           Members of the parent         4,233         3,088           4,227         3,081           Earnings per share (cents per share)         5         4,44         5.21	Fair value adjustment on land	12 (b)	325	_
Net profit/(loss) for the year attributable to:       (6)       (7)         Non-controlling interest       2,439       2,863         Members of the parent       2,433       2,856         Total comprehensive income attributable to:       (6)       (7)         Non-controlling interest       (6)       (7)         Members of the parent       4,233       3,088         4,227       3,081         Earnings per share (cents per share)       5       4,44       5.21	Other comprehensive income for the year, net of income tax		325	-
Non-controlling interest       (6)       (7)         Members of the parent       2,439       2,863         2,433       2,856         Total comprehensive income attributable to:       (6)       (7)         Non-controlling interest       (6)       (7)         Members of the parent       4,233       3,088         4,227       3,081         Earnings per share (cents per share)       5       4,44       5.21	Total comprehensive income for the year		4,227	3,081
Non-controlling interest       (6)       (7)         Members of the parent       2,439       2,863         2,433       2,856         Total comprehensive income attributable to:       (6)       (7)         Non-controlling interest       (6)       (7)         Members of the parent       4,233       3,088         4,227       3,081         Earnings per share (cents per share)       5       4,44       5.21	Net profit/(loss) for the year attributable to:			
Members of the parent         2,439         2,863           2,433         2,856           Total comprehensive income attributable to:         - (6)         (7)           Non-controlling interest         (6)         (7)           Members of the parent         4,233         3,088           4,227         3,081           Earnings per share (cents per share)         - basic earnings per share         5         4,44         5.21			(6)	(7)
Total comprehensive income attributable to:  Non-controlling interest  Members of the parent  4,233 3,088  4,227 3,081   Earnings per share (cents per share)  - basic earnings per share  5 4,44 5.21	Members of the parent			
Non-controlling interest         (6)         (7)           Members of the parent         4,233         3,088           4,227         3,081           Earnings per share (cents per share)           - basic earnings per share         5         4,44         5.21	·	_	2,433	
Members of the parent         4,233         3,088           4,227         3,081           Earnings per share (cents per share)         5         4,44         5.21	Total comprehensive income attributable to:			
Earnings per share (cents per share)       - basic earnings per share     5     4.44     5.21	Non-controlling interest		(6)	(7)
Earnings per share (cents per share) - basic earnings per share  5 4.44 5.21	Members of the parent		4,233	3,088
- basic earnings per share 5 4.44 5.21		_	4,227	3,081
- basic earnings per share 5 4.44 5.21	Earnings per share (cents per share)			
		5	4.44	5.21
	- diluted earnings per share			5.21

# 2018 FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

		Consolidated	
AS AT 31 DECEMBER	Notes	2018 \$'000	2017 \$′000
ASSETS		\$ 000	\$ 000
Current Assets			
Cash and cash equivalents	7	10,941	9,965
Trade and other receivables	8	7,093	6,662
Inventories Other assets	9	6,132 631	5,176 505
Total Current Assets	——————————————————————————————————————	24,797	22,308
Non Current Assets		2-1,707	22,300
Other assets	10	_	7
Investment in associates	11	1,043	947
Property, plant and equipment	12	8,642	9,409
Intangible assets	13	71	60
Deferred tax assets	6 (c)	1,167	223
Total Non Current Assets		10,923	10,646
Total Assets		35,720	32,954
LIABILITIES			
Current Liabilities			
Trade and other payables	14	5,145	4,413
Interest bearing loans and borrowings	15	342	290
Current tax liability		483	790
Employee entitlements	16 17	701	586
Contract liability	1/ —	4,722	
Total Current Liabilities	_	11,393	6,079
Non Current Liabilities			
Deferred Tax Liability	6 (c) 15	74 1,732	52
Interest bearing loans and borrowings Provisions	16	1,732	1,927 103
Total Non Current Liabilities	· <u>-</u> -	1,920	2,082
Total Liabilities	_	13,313	8,161
Net Assets	_	22,407	24,793
EQUITY			
Contributed equity	18	43,742	44,498
Accumulated losses		(23,243)	(19,789)
Employee share based payments reserve		570	594
Share options reserve	18(d)	992	932
Revaluation Reserve		325	(1 477)
Foreign currency translation reserve	_	(11)	(1,477)
Parent entity interest		22,375	24,758
Non-controlling interest	_	32	35
Total Equity	<del></del>	22,407	24,793

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

Consolidated					
FOR THE YEAR ENDED 31 DECEMBER	Notes	2018	2017		
CASH FLOWS FROM OPERATING ACTIVITIES		\$'000	\$'000		
Receipts from customers		44,634	40,767		
Payments to suppliers and employees		(38,137)	(34,761)		
Income tax paid		(2,221)	(2,804)		
Interest received		108	113		
Borrowing costs		(130)	(97)		
Net cash flows provided by operating activities	7(d)	4,254	3,218		
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(372)	(193)		
Net cash flows used in investing activities		(372)	(193)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of external borrowings		(329)	(287)		
Dividends Paid		(2,019)	(2,063)		
Shares bought back (net of costs)		(757)	(194)		
Net cash flows used in financing activities		(3,105)	(2,544)		
Net increase in cash and cash equivalents		777	481		
Net foreign exchange differences		199	73		
Cash and cash equivalents at beginning of the year		9,965	9,411		
Cash and cash equivalents at end of the year	7	10,941	9,965		

### Reconciliation of liabilities arising from financing activities

	Notes	2018 \$'000	Cashflows \$'000	Non-cash changes Foreign exchange movement \$'000	2017 \$'000
Interest bearing loans and borrowings	15	2,074	(329)	186	2,217

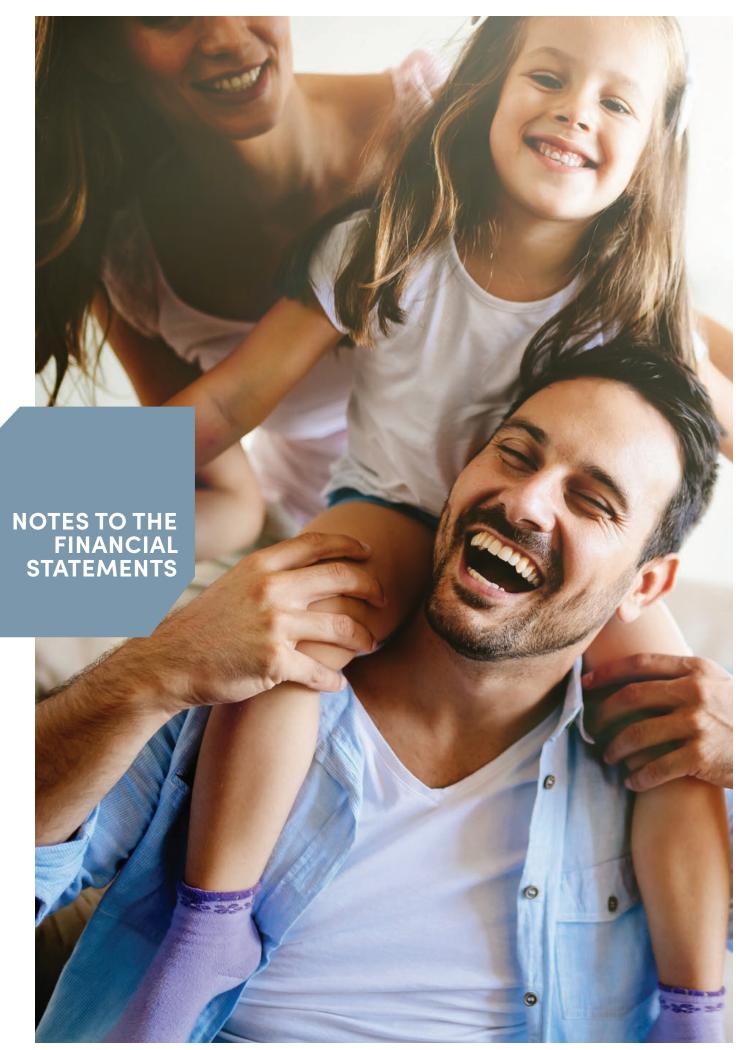
# 2018 FINANCIAL REPORT

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Share Options Reserve \$'000	Revaluation Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 January 2018		44,499	594	932	-	(19,790)	(1,477)	24,758	35	24,793
Impact of changes in accounting standard			-	-	-	(3,873)	-	(3,873)	-	(3,873)
Adjusted Balance at 1 January 2018		44,499	594	932	-	(23,663)	(1,477)	20,885	35	20,920
Comprehensive income										
Profit attributable to members of parent entity		-	-	-	-	2,439	-	2,439	(6)	2,433
Other comprehensive income for the year		-	-	-	325	-	1,466	1,791	3	1,794
Total comprehensive income for the year		_	-	-	325	2,439	1,466	4,230	(3)	4,227
Transactions with owners, in their capacity as owners										
Shares bought back		(757)	-		-	-	-	(757)	-	(757)
Employee share based income		-	(24)		-	-	-	(24)	-	(24)
Share options expense	18 (d)	-	-	60	-	-	-	60	-	60
Dividends paid	18 (f)	-	-	-	-	(2,019)	-	(2,019)	-	(2,019)
Total transactions with owners		(757)	(24)	60	-	(2,019)	-	(2,740)	-	(2,740)
Balance at 31 December 2018		43,742	570	992	325	(23,243)	(11)	22,375	32	22,407

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY (CONTINUED)**

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Share Options Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 January 2017		44,692	733	-	(20,590)	(1,702)	23,133	42	23,175
Comprehensive income									
Profit attributable to members of parent entity		-	-		2,863	-	2,863	(7)	2,856
Other comprehensive income for the year		-	-	-	-	225	225	-	225
Total comprehensive income for the year		-	-	-	2,863	225	3,088	(7)	3,081
Transactions with owners, in their capacity as owners									
Shares bought back		(193)	-		-	-	(193)	-	(193)
Employee share based income		-	(139)		-	-	(139)	-	(139)
Share options expense	18 (d)	-	-	932	-	-	932	-	932
Dividends paid	18 (f)	-	-		(2,063)	-	(2,063)	-	(2,063)
Total transactions with owners		(193)	(139)	932	(2,063)	-	(1,463)	-	(1,463)
Balance at 31 December 2017		44,499	594	932	(19,790)	(1,477)	24,758	35	24,793



### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1.CORPORATE INFORMATION

The financial report of Vita Life Sciences Limited for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on the date of this report.

Vita Life Sciences Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the code VLS. The nature of the operations and principal activities of Vita Life Sciences Limited 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 noncurrent assets, financial assets and financial

#### (b) Statement of compliance

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

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries ("the Group") as at 31 December 2018. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

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

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.

Operating segments are presented using the "management approach' where information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### (d) Foreign currency translation

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

The functional currency of the main operating overseas subsidiaries Vita Healthcare Asia Pacific Sdn Bhd, VitaHealth Malaysia Sdn Bhd, Herbs of Gold 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 (RMB), PT Vita Health Indonesia is Indonesian Rupiah (IDR), Vita Health (Thailand) Co Ltd and Vita Life Sciences (Thailand) Co Ltd are Thai Baht (THB) and Vita Health (Vietnam) Company Limited is Vietnamese Dong (VND).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

#### (d) Foreign currency translation (continued)

#### (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.

#### (e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits 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.

#### (f) Trade and other receivables

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

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. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

#### (g) Inventory

Inventories including raw materials are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling

Costs incurred in bringing each product to its present location and condition are accounted for

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

#### (h) Property, plant and equipment

Land and building are initially recognised at costs and was previously measured at cost less accumulated depreciation and impairment losses. During the year, the Company changed its accounting policy for measurement of land and building. Land and building are now measured at fair value and restated at its revalued amount. An independent professional valuer was appointed to determine the fair value of the land and building. Increases in carrying amount are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amount of the same asset, in which case they are taken to profit or loss in the statement of comprehensive income. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as a loss in the statement of comprehensive income.

All other plant and equipment are 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 determined. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### **Depreciation**

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

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

	Rate	Method
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

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

#### (h) Property, plant and equipment (continued)

#### Depreciation (continued)

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

## (i) Intangibles

#### 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:

	Development costs
Useful lives	Finite
Method used	3 years – Straight line
Internally generated or Acquired	Internally generated
Impairment test or Recoverable amount testing	Amortisation method reviewed at each financial year-end annually for indicator of impairment

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

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

### (k) Trade and other payables

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

#### (I) Interest bearing loans and borrowings

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

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

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

#### **Borrowing costs**

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

#### (m) Provisions

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the

liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (n) Employee entitlements

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on "Group of 100" corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

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

#### (o) Issued capital

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

#### (p) Leases

#### **Finance Leases**

Leases of fixed assets, which substantially transfer to the Group all the risks and benefits incidental to ownership of the leased item, but not the legal ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease

term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

#### **Operating Leases**

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

#### (q) Revenue recognition

The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods

Refer to note 2 (x) for details on the first time application of AASB 15: Revenue from Contracts with Customers and the applicable accounting policies.

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.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) 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, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:
- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

#### 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.

#### (s) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") (or its equivalent in non-Australian tax jurisdictions) except:

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

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

#### (t) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

### (t) Investments and other financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written

#### Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### 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.

## (u) Earnings per share Basic earnings per share

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

#### Diluted earnings per share

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

#### (v) Share-based payment transactions

Equity settled transactions:

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

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

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

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

- 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.

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution c) add guidance to help entities assess whether in the computation of diluted earnings per share.

#### (w) 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 2018-1 Annual Improvements to IFRS Standards 2015 - 2017 Cycle

The amendments clarify certain requirements in:

- a) AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation;
- b) AASB 112 Income Taxes income tax consequences of payments on financial instruments classified as equity; and
- c) AASB 123 Borrowing Costs borrowing costs eligible for capitalisation.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. This amended Standard is not expected to have a significant impact on the Group's financial statements

#### AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a **Business**

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- a substantive process has been acquired;
- d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. This amended Standard is not expected to have a significant impact on the Group's financial statements Earlier application is permitted.

#### AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards. The amendment includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

Standard applies prospectively to annual reporting periods beginning on or after 1 January 2020. If the Standard is applied to annual reporting periods beginning before 1 January 2020, it shall disclose that fact. This amended Standard is not expected to have a significant impact on the Group's financial statements.

The following new and amended Standards apply to annual reporting periods beginning on or after 1 January 2019. These new and amended Standards are not expected to have a significant impact on the Group's financial statements:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

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

AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2022 by AASB 2018-5. This amended Standard is not expected to have a significant impact on the Group's financial statements.

#### AASR 16: Leases

AASB 16 replaces AASB 117 Leases and set out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying

AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

The Directors anticipate that the adoption of AASB 16 may not have a significant impact on the Group's financial statements. Based on the current leases, the net impact on the Profit or Loss is not expected to be significant. The assets and liabilities are expected to increase by \$600,000 - \$900,000 as a result of the new AASB 16. The detailed impact have not been determined yet.

#### Interpretation 23 Uncertainty over Income **Tax Treatments**

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments

Consequential amendments are made to AASB 1 First-time Adoption of Australian Accounting Standards as a result of Interpretation 23 by AASB 2017-4.

#### AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation.

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment

#### AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

#### (x) 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 2018:

#### **AASB 9: Financial Instruments**

AASB 9 includes requirements for the classification and measurement of financial assets and incorporates amendments to the accounting for financial liabilities and hedge accounting rules to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.

AASB 9 also changes the model for recognising impairment of trade receivables. Under AASB 139 Financial Instruments – Recognition & Measurement, impairment was calculated using an 'incurred loss' model, whereby impairment of trade receivables was determined through reference to historical events and circumstances that gave rise to reduced probability of those amounts being recoverable.

AASB 9 uses an 'expected credit loss' model where historical data and other factors are considered in determining the expected future loss on trade receivables, rather than relving on an event to have occurred before recognising impairment.

Management have evaluated trade receivables using an expected credit loss model and do not believe that the adoption of this model results in a material impact on the provision for trade receivables already recognised in the statement of financial position.

#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

(x) New and Amended Accounting Policies Adopted by the Group (continued)

#### AASB 15: Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

- a) identify the contract with a customer;
- b) identify the separate performance obligations in the contract;
- c) determine the transaction price;
- d) allocate the transaction price to the separate performance obligations in the contract; and
- e) recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise

judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group elected to apply the modified retrospective method of adopting AASB 15, whereby the impact on the comparative period is reflected in opening retained earnings. The adjustment to retained earnings is shown below. The Group have applied AASB 15 to all contracts with customers that are not completed contracts at the date of initial application.

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

#### Variable consideration (transaction price)

Contractual terms and geographical business practice provide retailers with a right of return of goods up to the point at which they about to expire or have expired. Prior to the adoption of AASB 15, the Group recognised sales returns when they occurred, reducing sales in the period in which the returns were recognised. Under AASB 15, the right of return gives rise

to variable consideration which is required to be reflected in the revenue recognised in the period. Revenue should be constrained until such time that any uncertainty in the amount to be recognised is resolved. Revenue recognised by the Group is required to reflect the right of return in its expectation for consideration to be received for a sale.

#### Impact of adoption of AASB 15

The Group uses an expected value method to estimate the goods to be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements of AASB 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a contract liability, reflecting the customer's right of return' on the statement of financial position. The Group adjusts costs of goods sold to reflect the margin on the sales returns, along with adjusting the estimated distributor margin expense accordingly. The Group write off the goods returned due to them not being resold. Upon adoption of AASB 15, the Group recognised a contract liability for the right of return on the statement of financial position, and reflected adjustments in revenue, costs of goods sold and inventory write-off expense, with the net effect being adjusted in retained earnings.

The impact of adoption on opening retained earnings as at 1 January 2018 was as follows:	
	\$'000
Initial recognition of contract liability	4,740
Deferred tax impact	(883)
Others	16
Retained Earnings Impact	3,873

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# (x) New and Amended Accounting Policies Adopted by the Group (continued) Impact of adoption of AASB 15 (continued)

The statement of financial position as at 1 January 2018 was restated resulting in the recognition of a contract liability of \$4,740,114 and a decrease in retained earnings of \$3,872,672, reflecting the net impact of movements in revenue, costs of goods sold, stocks and the contract liability.

#### Presentation and disclosure requirements

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to below for the disclosure on disaggregated revenue.

#### Disaggregation of Group revenue

AASB 15 requires the Group to disclose the disaggregation of the Group's revenue from contracts with customers. The Group have determined that the disaggregation of the Group's revenue is consistent with the disclosure within the Operating Segment (Note 3), as the nature, amount, timing and uncertainty of revenue and cash flows arising from the sale of goods are disaggregated consistently with the figures disclosed for each segment.



#### 2. SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES (CONTINUED)**

#### (x) New and Amended Accounting Policies Adopted by the Group (continued)

#### Significant accounting judgements, estimates and assumptions – Rights of return

The transaction price for sales made under AASB 15 should reflect the amounts expected to be received by the Group, constraining this amount to the extent where the transaction price is certain to be received based on management estimates. The level of uncertainty relates to the amount of goods expected to be returned by customers through the use of contractual provisions or local business practice.

The Group measure the estimate of sales returns through reference of historical data for returns within each operating segment, considering the typical period over which returns are made, along with the volume and value of returns over time. Management will re-evaluate sales returns based on the collation of data around actual sales returns made. On initial application, actual returns made in the year ended 31 December 2018 are estimated to wholly relate to sales made in previous financial reporting periods, based on the timing of returns previously recognised by the Group, and understanding of local business practice.

The following new and amended Standards apply to annual reporting periods beginning on or after 1 January 2018. These new and amended Standards are not expected to have a significant impact on the Group's financial statements:

#### AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to **AASB 15**

This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15.

#### AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based **Payment Transactions**

This Standard amends AASB 2 Share-based Payment to address:

- (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equitysettled.

#### AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other **Amendments**

Clarifies that:

- (a) a change in classification to or from investment property can only be made where there is evidence of a change in use of the property. A change in management's intention is, in isolation, not evidence of a change in use; and
- (b) the election by a venture capital organisation, mutual fund, unit trust or similar entity to measure investments in an associate or joint venture at fair value through profit or loss is made separately for each associate or joint venture.

#### Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the entity recognises the payment or receipt of advance consideration in a foreign currency. This Standard applies to annual reporting periods beginning on or after 1 January 2018.

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

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

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

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements. Capitalised development costs Included in intangible assets (Note 13) at the end of the year is an amount of \$60,000 (2017: \$76,000) 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.



#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### Taxation (continued)

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.

#### Inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The Directors assess slow moving or obsolete inventory on a regular basis and a provision is raised to write down inventory to net realisable value as described in note 2 (g).

#### Recoverability of associate investment in Mitre Focus Sdn Bhd

At the end of each reporting period, the Group reviews the carrying amounts of its investment in associate to determine whether there is any indication that it has suffered impairment loss. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

#### (z) Comparative figures

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

In order to provide further clarity on the sales and customer fulfillment costs, the sales for the previous reporting period were adjusted to reflect these costs:

	2017 \$'000
Sales before Adjustment	37,778
Restate Adjustment	(574)
Restated Sales	37,204
Marketing Expense before Adjustment	2,718
Restate Adjustment	(574)
Restated Marketing Expense	2,144

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (aa) Rounding of amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, dated 1 April 2016. Accordingly, amounts in the financial statements and Directors' report are rounded off to the nearest \$1,000.

#### 3. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of geographical market as the Group's risk and returns are affected predominantly by differences in the regulatory environment of the countries in which the Group operates. Products sold are similar across all countries, being vitamins and health supplements.

The operating businesses are organised and managed separately according to the location of the products sold, with each segment representing a strategic business unit that offers similar products in different geographical markets.

#### Geographical segment

The consolidated entity operates in the regions identified as Australia, Singapore, Malaysia, and Others. The Others segment is comprised of business operations in Thailand, Vietnam, Indonesia and China. It also includes an investment operation managed from the Republic of Ireland which is in respect of a property development business conducted via an associate entity in Malaysia. There are no revenues from that investment operation in 2018 or 2017 financial years.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2018 and 31 December 2017.

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2018						
Revenue						
Sales to external customers	16,418	6,883	14,951	2,899	-	41,151
Total segment revenue	16,418	6,883	14,951	2,899	-	41,151
Segment results						
Earnings before interest and tax	2,682	1,607	704	(334)	(332)	4,327
Net interest	39	(2)	(67)	10	(1)	(21)
Share of profit of associates	-	-	-	24	- ]	24
Profit before income tax						4,330
Income tax expense						(1,897)
Net profit for the year						2,433
Assets and liabilities						
Segment assets	8,654	5,336	18,406	1,729	552	34,677
Investment in associates	-	-	-	1,043	-	1,043
Total assets						35,720
Segment liabilities	3,173	3,067	6,379	274	419	13,312
Total liabilities						13,312
Other segment information						
Capital expenditure	(230)	-	(141)	(4)	- 1	(375)
Depreciation and Fair Value Adjustment	(42)	(14)	(1,807)	(16)	- 1	(1,879)
Amortisation	-	-	(7)	(4)	-	(11)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 3. SEGMENT INFORMATION (CONTINUED)

#### Geographical segment (continued)

	Australia	Singapore	Malaysia	Others	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2017						
Revenue						
Sales to external customers	15,569	6,265	12,949	2,421	-	37,204
Total segment revenue	15,569	6,265	12,949	2,421	-	37,204
Segment results						
Earnings before interest and tax	3,351	1,384	1,715	(565)	(1,189)	4,696
Net interest	77	(2)	(96)	-	(1)	(22)
Share of profit of associates		_	-	2	-	2
Profit before income tax						4,676
Income tax expense						(1,820)
Net profit for the year						2,856
Assets and liabilities						
Segment assets	10,630	3,479	15,866	1,334	698	32,007
Investment in associates	-	-	-	947	- ]	947
Total assets						32,954
Segment liabilities						
Total liabilities	2,450	752	3,710	237	1,012	8,161
						8,161
Other segment information						
Capital expenditure	(9)	(12)	(173)	-	-	(194)
Depreciation	(8)	(20)	(261)	(34)	- 1	(323)
Amortisation	_	-	(11)	(3)	-	(14)

#### 4. REVENUE AND EXPENSES

	2018 \$'000	2017 \$′000
(a) Other income		
Realised loss on foreign exchange	(86)	(40)
Unrealised gain on foreign exchange	14	17
Other income	105	24
	33	1
(b) Administrative expenses	-	
Legal and other professional fees	(418)	(355)
Consultants	(212)	(557)
Allowance for impairment income/(loss)	10	(461)
Wages, salaries and other employee expenses	(10,430)	(9,504)
Defined contribution superannuation expense	(1,258)	(929)
Travelling expenses	(356)	(239)
Share based payment income	24	139
Depreciation	(392)	(323)
Amortisation	(11)	(14)
Other administrative expenses	(527)	(461)
	(13,570)	(12,704)
(c) Other expenses		
Product registration costs	(330)	(411)
Profit/(Loss) on disposal of property, plant and equipment	30	(1)
	(300)	(412)
(d) Share Options expenses		
Share Options expenses	(60)	(932)
(e) Finance income		
Interest received - external parties	108	113
	108	113
(f) Finance expenses		
Interest expense – external parties	(92)	(97)
Bank charges	(37)	(38)
	44.00	(405)
	(129)	(135)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### **5. EARNINGS PER SHARE**

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

	2018 \$'000	2017 \$'000
Net profit attributable to equity holders from continuing operations	2,433	2,856
Loss attributable to non-controlling interest	6	7
Earnings used to calculate basic and dilutive earnings per share	2,439	2,863

### (b) Weighted average number of shares

	2018 Number	2017 Number
Weighted average number of ordinary shares for basic earnings per share	54,908,924	55,007,084
Adjusted weighted average number of ordinary shares for diluted earnings per share. Plan shares and options were not classified as dilutive for purposes of this calculation as they are not exercisable.	54,908,924	55,007,084

#### 6. INCOME TAXES

### (a) Income tax expense

	2018 \$'000	2017 \$'000
The major components of income tax expense are:		
Income Statement:		
Current income tax		
Current income tax charge	1,955	1,932
Prior year under / (over) provision	-	(100)
Deferred income tax		
Adjustment of deferred tax of prior periods	4	-
Relating to origination and reversal of temporary differences	(62)	(12)
Income tax expense reported in the income statement	1,897	1,820

#### 6. 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:

	2018 \$'000	2017 \$′000
Total accounting profit before income tax	4,330	4,676
At the parent entity's statutory income tax rate of	1,191	1,286
27.5% (2017: 27.5%)		
Adjustment in respect of current income tax of previous year	-	(100)
Change in income tax rate	- ]	36
Foreign tax rate adjustment	(194)	(192)
Share based payments	(7)	(38)
Share options expense	17	256
Other expenditure not allowable for income tax purposes	817	402
Adjustment of deferred tax of prior periods	4	-
Deferred tax asset recognised during financial year	(62)	(12)
Tax losses and timing differences not brought to account	131	182
Aggregate income taxes	1,897	1,820
,,99, 094100	1,007	1,020
The applicable weighted tax rates are as follows:	44%	39%

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

	2018 \$′000	2017 \$′000
Deferred tax assets		
Doubtful debts	128	5
Provision for sales returns/ stock obsolescence	840	5
Provision for annual leave	90	84
Provision for long service leave	30	31
Other provision	5	46
Net deferred tax assets	1,093	171
Presented in the consolidated Statement of Financial Position as follows:		
Deferred tax assets	1,167	223
Deferred tax liabilities	(74)	(52)
	1,093	171

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 6. INCOME TAXES (CONTINUED)

#### (d) Tax losses

The Group has carry forward tax losses of SGD \$16.7million (A\$17.3m) (2017: SGD \$17.1 million (A\$16.4m)) 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 subject to the meeting of the conditions required under the shareholders' continuity test. 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%.

#### (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 adjustments:

	2018 \$'000	2017 \$'000
Total increase in intercompany receivable of Vita Life Sciences Limited	796	1,176

#### 7. CASH AND CASH EQUIVALENTS

	2018 \$′000	2017 \$'000
Cash at bank and in hand (a) Short term deposit (b)	10,415 526	5,644 4,321
Total cash and cash equivalents	10,941	9,965

- (a) Cash at bank of \$10,415,000 (2017: \$5,644,000) 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 as stated above.
- (d) Information pertaining to the Cash Flow Statement:
- (i) Reconciliation of net profit after tax to net cash flows from operations:

	2018 \$'000	2017 \$'000
Net profit after tax	2,433	2,856
Adjustments for non-cash income and expense items:		
Depreciation and Fair Value Adjustment	2,204	323
Amortisation	11	14
Net loss on disposal of property, plant & equipment	(4)	1
Share Options expense	60	932
Shared based payment (income)	(24)	(139)
Allowance for / (reversal of) impairment loss	(10)	(5)
	4,670	3,982
Increase/decrease in assets and liabilities:		
(Increase) / decrease in inventories	(956)	245
Increase in investment in associates	(24)	(2)
Increase in receivables	(412)	(408)
(Increase) / decrease in other assets	(127)	178
Decrease in deferred tax balances	(922)	(17)
Decrease in current income tax payable	(308)	(968)
Increase in trade and other payables	731	205
Increase / (decrease) in other liabilities	975	(18)
Effect of foreign exchange translation of assets and liabilities	627	21
Net cash provided by operating activities	4,254	3,218

ii) Non-cash financing and investing activities:

During the year ended 31 December 2018, 1,000,000 new Long Term Incentive Plan (LTIP) Shares were issued and, 1,800,000 existing LTIP shares expired and were cancelled. Refer to Note 25 for further details.

During the year ended 31 December 2017, 1,000,000 new LTIP Shares were issued. Refer to Note 25 for further details.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 8. TRADE AND OTHER RECEIVABLES

	2018 \$'000	2017 \$¹000
Current		
Trade receivables, third parties	6,150	5,577
Allowance for impairment loss	(20)	(30)
	6,130	5,547
Other receivables:		
Other receivables (a)	937	1,107
Net tax receivable	26	8
	7,093	6,662

(a) Other receivables are non-interest bearing and have repayment terms between 30 to 90 days. Other receivables contain an impaired assets for which an impairment loss of \$466,182 (2017: \$466,182) was provided during the year. It is expected that these other balances will be received when due.

#### (b) 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.

#### (c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risks exposure are disclosed in Note 24.

#### 9. INVENTORIES

	2018 \$'000	2017 \$'000
Current		
Raw materials at cost	1,526	1,379
Finished goods at lower of cost and net realisable value	5,075	4,258
Less: Provision for stock obsolescence	(469)	(461)
	6,132	5,176

#### 10. OTHER ASSETS

	2018 \$'000	2017 \$'000
Current		
Prepayments	447	290
Security deposits	189	215
	63	505
Non-Current		
Other assets		. 7
	63'	512

#### 11. INVESTMENT IN ASSOCIATE

	2018 \$'000	2017 \$'000
Non-Current		
Unlisted		
– Mitre Focus Sdn Bhd (a)	1,043	947

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

- Investment in associate at cost	-	-
- Loan to associate	972	900
– Cumulative share of associate's profit	71	47
Carrying value of investment in associate	1,043	947

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 11. INVESTMENT IN ASSOCIATE (CONTINUED)

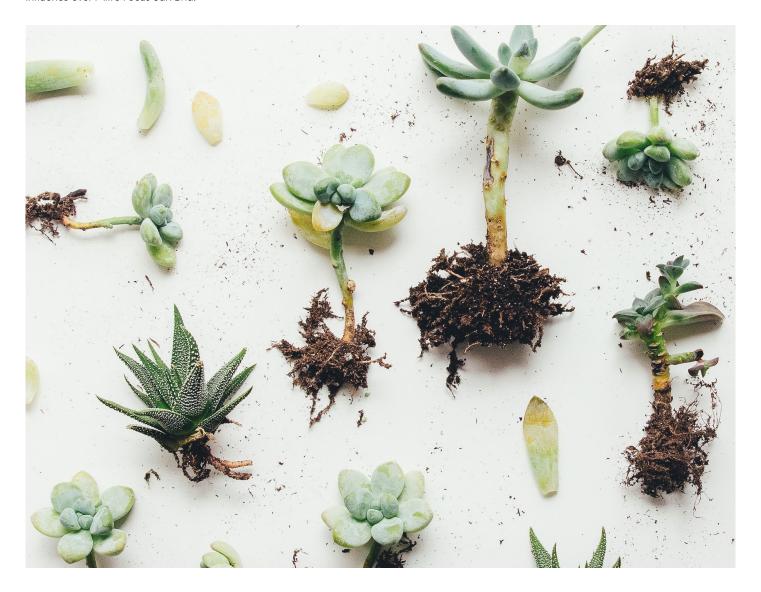
#### (b) Investment Details

		Place of	Ownership Interest	
	Measurement Method	Incorporation / Business	2018 %	<b>2017</b> %
Name of Company:				
Unlisted				
- Mitre Focus Sdn Bhd	Equity Method	Malaysia	6.3	6.3

#### (c) Investment details

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.



#### 11. INVESTMENT IN ASSOCIATE (CONTINUED)

#### (d) Summarised financial information

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

	2018 \$′000	2017 \$'000
Summarised financial information		
The following illustrates the summarised financial information		
relating to the Group's associate		
Extract from the associate's statement of financial position:		
Current Assets	6,143	5,974
Non-Current Assets	905	740
	7,048	6,714
Current Liabilities	(3,850)	(4,120)
Non-current liabilities	-	-
	(3,850)	(4,120)
Net assets	3,198	2,594
Share of associate's net assets	201	163
Extract from the associate's income statement:		
Revenue	2,687	1,819
Net profit	374	(36)
Other comprehensive income	-	-
Total comprehensive income	374	(36)

<sup>(</sup>e) The reporting date of the associate is 31 December 2018. The reporting date coincides with the Company's reporting date.

- (f) The loan to the associate is interest free and has no fixed repayment term.
- (g) As at 31 December 2018, there are no contingent liabilities relating to the associate.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 12. PROPERTY, PLANT AND EQUIPMENT

	Property and Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2018					
At 1 January 2018 net of accumulated					
depreciation and impairment	8,688	12	698	11	9,409
Additions	102	_	270	-	372
Exchange differences	684	8	47	5	744
Depreciation / amortisation for the year	(105)	(6)	(280)	(5)	(396)
Fair Value adjustments (a) & (b)	(1,487)	-	-	_	(1,487)
At 31 December 2018 net of accumulated					
depreciation and impairment	7,882	14	735	11	8,642
At 31 December 2018					
Cost/ revalued	8,129	110	2,205	165	10,609
Accumulated depreciation and impairment	(247)	(96)	(1,470)	(154)	(1,967)
Net carrying amount	7,882	14	735	11	8,642

#### (a) Fair Value Measurement

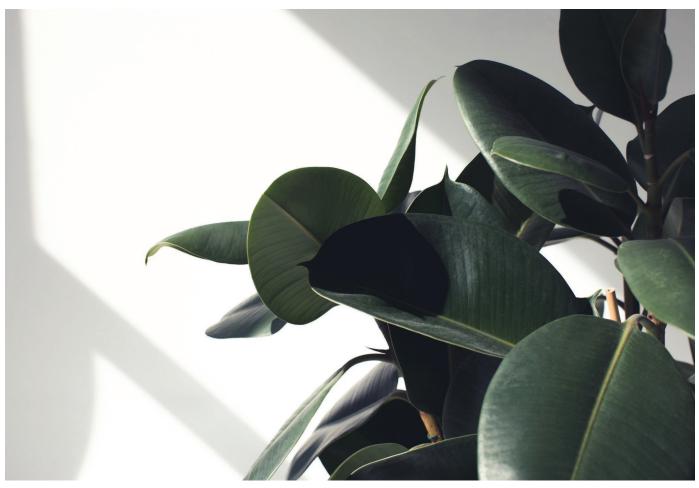
During the year, the Company engaged a professional independent valuer, to determine the fair value of its land and building, which was based on recent transactions for similar assets within the same location i.e. the Comparison Approach. As a check, the Cost Approach based on the aggregate amount of the value of land component and gross replacement cost of the building and other site improvements allowing for depreciation was used. The valuation was conducted in December 2018.

#### (b) Fair Value adjustments

	2018 \$′000
Loss on Revaluation as recognised in Profit or Loss Statement	(1,812)
Gain on Revaluation as recognised in Revaluation Reserve	325
	(1,487)

#### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and Building \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2017					
At 1 January 2017 net of accumulated					
depreciation and impairment	8,521	12	826	22	9,381
Additions	101	14	80	-	195
Exchange differences	156	(1)	1	-	156
Depreciation / amortisation for the year	(90)	(13)	(209)	(11)	(323)
At 31 December 2017 net of accumulated					
depreciation and impairment	8,688	12	698	11	9,409
At 31 December 2017					
Cost value	8,816	96	2,043	145	11,100
Accumulated depreciation and impairment	(128)	(84)	(1,345)	(134)	(1,691)
Net carrying amount	8,688	12	698	11	9,409



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 13. INTANGIBLE ASSETS

	Product Development costs \$'000	Total \$'000
Year ended 31 December 2018		
At 1 January 2018 net of accumulated		
depreciation and impairment	60	60
Additions Impairment / amortisation Exchange differences	5 (15) 21	5 (15) 21
At 31 December 2018 net of accumulated depreciation and impairment	71	71
At 31 December 2018		
Gross carrying amount	209	209
Accumulated amortisation and impairment	(138)	(138)
Total	71	71

	Product Development costs \$'000	Total \$'000
Year ended 31 December 2017		
At 1 January 2017 net of accumulated		
depreciation and impairment	76	76
Impairment / amortisation	(14)	(14)
Exchange differences	(2)	(2)
At 31 December 2017 net of accumulated		
depreciation and impairment	60	60
At 31 December 2017		
Gross carrying amount	178	178
Accumulated amortisation and impairment	(118)	(118)
Total	60	60

#### **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" in Note 4 (b). 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.

#### 14. TRADE AND OTHER PAYABLES

	2018 \$'000	2017 \$'000
Current		
Trade payables (a)	2,563	2,455
Net tax payable	187	252
Other payables and accruals	2,395	1,706
	5,145	4,413

- (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 24.





#### 15. INTEREST BEARING LOANS AND BORROWINGS

	2018 \$'000	2017 \$'000
Current Property facility – secured (a)	342	290
	342	290
Non - Current		
Property facility – secured (a)	1,732	1,927
	1,732	1,927

At the balance date, the following financing facilities were available:

	2018 \$'000	2017 \$'000
Total facilities available: Property facility (a)	2,074	2,217
Facilities utilised at balance date: Property facility (a)	2,074	2,217
Facilities not utilised at balance date:		
Property facility (a)	-	_

#### (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 2018 is fixed at 4.25% (2017: 4.25%) for a term of 108 months from 1 January 2015. The facility is secured by a charge over the premises.

#### (b) Fair Value

In regard to the 10-year property facility loan, a further term of 5 years exists post 31 December 2018, which is secured by the charge over the premises. The carrying value of the loan approximates to the fair value amount.

#### (c) Interest rate, foreign exchange and liquidity risks

Details regarding the interest rate, foreign exchange and liquidity risks are disclosed in Note 24.

#### (d) Default and breaches

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

#### **16. EMPLOYEE ENTITLEMENTS**

A 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 Entitlements \$'000
Balance at 1 January 2018	689
Charged during year	893
Used during year	(791)
Foreign exchange difference	24
Balance at 31 December 2018	815
At 31 December 2018	
Current	701
Non-Current	114
	815
At 31 December 2017	
Current	586
Non-Current	103
	689

#### 17. CONTRACT LIABILITY

During the year the Group adopted the new AASB 15 Revenue from Contracts with Customers as stated in Note 2 (x), The impact of adoption on this resulted in the creation of a Contract Liability to account for the right of return assets and refund liabilities.

	Contract Liability \$'000
Balance at 1 January 2018	4,740
Charged in the year	2,353
Used during year	(2,371)
Balance at 31 December 2018	4,722
At 31 December 2018	
Contract liability expected to be realised in less than 12 months	2,369
Contract liability expected to be realised in more than 12 months	2,353
	4,722
At 31 December 2017	
Contract liability expected to be realised in less than 12 months	-
Contract liability expected to be realised in more than 12 months	-
	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 18. CONTRIBUTED EQUITY

	2018 Number	2017 Number	2018 \$	2017 \$
Issued and paid up capital				
Ordinary shares	54,842,307	56,717,076	43,742,222	44,498,322
Ordinary shares				
Balance at beginning of the year	56,717,026	55,908,230	44,498,322	44,691,656
Share buy back (a)	(1,074,769)	(191,204)	(756,100)	(193,334)
Cancellation of Plan Shares of certain:				
- Directors (b)	(1,800,000)	-	-	-
Issue of shares to director (c)	1,000,000	1,000,000	-	-
Balance at end of the year	54,842,257	56,717,026	43,742,222	44,498,322

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

A total of 1,074,769 (2017: 191,204) ordinary shares were bought back for year ended 31 December 2018 as approved by the shareholders on the 25 May 2018 and 18 May 2017 Annual General Meetings at a total cost of \$756,100 (2017: \$193,334).

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

In 2018, 800,000 (2017: Nil) Long Term Incentive Plan shares expired as the 2017 financial year performance conditions were not achieved. Another 1,000,000 shares were cancelled during the year as it became apparent the vesting conditions would not be met and subsequently reissued under new terms and conditions as stated in Note 18 (c) below.

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

During the year ended 31 December 2018, the Company approved loans to the Managing Director Mr Andrew O'Keefe totalling \$900,000 (2017: \$1,380,000) in order for Mr O'Keefe to purchase a total of 1,000,000 (2017: 1,000,000) shares under the Company's Long Term Incentive Plan.

For the year ended 31 December 2018, the Company recognised net income of \$24,125 (2017: \$138,964) in the income statement with a corresponding decrease (2017: decrease) in employee share based payment reserve.

#### (d) Issue of Options to non-executive director of controlled entity

On 3 January 2017, unlisted options convertible to ordinary shares in the Company were granted as payment of key incentive upon delivery of business development services to Mr Liyang Liu, a non-executive director of controlled entity based in China, as per Options Deed dated 3 January 2017, as set out below:

Tranche	Number Granted	Grant Date	Exercise Price-\$	Fair Value at ( Per right-\$	Grant Date Value-\$	First Vesting Date	Expiry Date
1	2,208,000	3/01/2017	1.2750	0.3020	666,816	from the date of the Option Deed	3/01/2018
2	1,106,000	3/01/2017	2.0000	0.1514	167,448	12 months from the date of the Option Deed	3/07/2018
3	1,106,000	3/01/2017	2.5000	0.1426	157,716	18 months from the date of the Option Deed	3/01/2019
	4,420,000				991,980		

During the year a sum of \$60,198 (2017: \$931,782) was expensed as Share Option expense. Tranche 1 and Tranche 2 of the Options have not been exercised and had therefore lapsed on 3 January 2018 and 3 July 2018 respectively.

#### 18. CONTRIBUTED EQUITY (CONTINUED)

#### (e) 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.

#### (f) Dividends

The Directors declared a fully franked interim dividend of 1.5 cents per share and a fully franked final dividend of 2.25 cents per share in respect of the financial year ended 31 December 2018 (2017: interim dividend of 1.5 cents fully franked and an unfranked final dividend of 2.25 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 2018.

	2018 Cents per Share	2017 Cents per Share	2018 \$′000	2017 \$'000
Fully paid ordinary shares				
Final dividend for the previous financial year				
- Full franking credits attached	2.25	-	1,211	-
- No franking credits attached	-	2.25	-	1,239
Interim dividend for the financial year				
- Full franking credits attached	1.50	1.50	808	825
	3.75	3.75	2,019	2,064

#### 19. NET TANGIBLE ASSETS PER SHARE

	2018 \$	2017 \$
Net assets per share	0.41	0.44
Net tangible assets per share	0.39	0.44
	Number	Number
Number of ordinary shares for net assets per share	54,842,257	56,717,026



#### 20. 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.

#### 21. RELATED PARTY DISCLOSURE

#### (a) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 22.

#### (b) Ultimate holding company

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

#### (c) Transactions with related parties

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

	2018 \$'000	2017 \$'000
	Ψ 000	Ψ 000
Land Real Pty Ltd	3	55

Land Real Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid \$3,067 for storage charges (2017: \$Nil) during the financial year. In previous year, 2017, \$55,420 was paid as fee for consultancy services. \$Nil was payable as at 31 December 2018 (2017: \$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

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



# NOTES TO THE FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 21. RELATED PARTY DISCLOSURE (CONTINUED)

#### (d) Subsidiaries

The consolidated financial statements include the financial statements of Vita Life Sciences Limited and the subsidiaries listed in the following table. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

**Percentage of Equity Interest** 

		rercemage or Equity interest		
Name	Place of Incorporation	<b>2018</b> %	2017 %	
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	Australia	100	100	
VitaHealth Australia Pty Ltd	Australia	100	100	
Vita Corporation Pte Limited	Singapore	100	100	
Herbs of Gold (S) Pte Ltd	Singapore	100	100	
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100	
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100	
VitaHealth Malaysia Sdn Bhd	Malaysia	100	100	
VitaHealth Biotech Sdn Bhd	Malaysia	100	100	
Vita Lifesciences 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	Macao	100	100	
Pharma Direct Sdn Bhd	Malaysia	100	100	
PT. Vita Health Indonesia	Indonesia	100	100	

#### 22. 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):

	Short term salary, bonus, fees and leave \$			Share based payment expense \$	Total \$
2018	1,252,876	100,972	8,360	(24,125)	1,338,083
2017	983,860	64,545	11,109	(138,964)	920,550

#### 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

# 23. PARENT ENTITY DISCLOSURES

Financial Position as at 31 December	2018 \$′000	2017 \$′000
ASSETS		
Current Assets	173	64
Non - Current Assets	10,392	10,392
Total Assets	10,565	10,456
LIABILITIES		
Current Liabilities	866	972
Non - Current Liabilities	11,000	7,250
Total Liabilities	11,866	8,222
Total Elabilities	11,000	0,222
Equity		
Issued capital	43,742	44,498
Accumulated losses	(46,605)	(43,791)
Employee share based payments reserve	1,562	1,527
Parent entity interest	(1,301)	2,234
Non-controlling Interest	-	-
Total Equity	(1,301)	2,234
Financial performance for the year ended 31 December		
Loss for the year	(597)	(768)
Other comprehensive income / (expense)	-	-
Total comprehensive loss for the year	(597)	(768)

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency at 31 December 2018, consistent with that at 31 December 2017. The Parent Entity is able to call on the resources of the Vita Life Sciences Group as required, and as such the financial statements of the Parent Entity are prepared on a going concern basis.

#### 24. 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 long term property loan obligations. The level of borrowings is disclosed in note 15. The Group's policy is to manage its interest cost using a variable rate debt.

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

	2018 \$'000	2017 \$'000
Financial assets		
Cash at bank and in hand-see Note 7	10,415	5,644
Short term deposit-see Note 7	526	4,321
	10,941	9,965
Financial liabilities		
Property loan facility-see Note 15	2,074	2,217
	2,074	2,217
Net exposure	8,867	7,748

At 31 December 2018, if interest rates 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 and Equity Higher/ (Lower)

	2018 \$'000	2017 \$'000
+ 1.00% (100 basis points)	51	111
- 0.50% (50 basis points)	(26)	(56)



#### 24. 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:

	2018 \$′000	2017 \$′000
Financial assets		
Cash at bank and in hand (a)-see Note 7	10,415	5,644
Short term deposit (a)-see Note 7	526	4,321
Trade and other receivables (b)-see Note 8	7,093	6,662
	18,034	16,627

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

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

#### (b) Trade and other receivables

The Group trades only with recognised, creditworthy 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

# 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

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

	2018 \$'000	2017 \$'000
Financial assets	<b>****</b>	<b>¥</b> 555
Cash and cash equivalents		
Singapore Dollar (SGD)	2,599	1,902
Malaysia Ringgit (RM)	3,974	2,281
Hong Kong Dollar (HKD)	215	20
Chinese Yuan Renminbi (RMB)	63	181
Indonesian Rupiah (IDR)	6	41
Vietnamese Dong (VND)	739	344
Thai Baht (THB)	213	241
Trade and other receivables		
Singaporean Dollar (SGD)	1,137	515
Malaysian Ringgit (RM)	3,062	3,071
Chinese Yuan Renminbi (RMB)	-	(1)
Indonesian Rupiah (IDR)	13	8
Vietnamese Dong (VND)	237	135
Thai Baht (THB)	530	463
	12,788	9,201
Financial liabilities		
Trade and other payables		
Singapore Dollar (SGD)	601	492
Malaysia Ringgit (RM)	1,806	1,106
Hong Kong Dollar (HKD)	69	26
Chinese Yuan Renminbi (RMB)	8	31
Indonesian Rupiah (IDR)	36	69
Vietnamese Dong (VND)	65	53
Thai Baht (THB)	30	18
Property Facility		
Malaysia Ringgit (RM)	2,075	2,217
	4,690	4,012
Net exposure	8,098	5,189

#### 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

At 31 December, 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)			uity ′ (Lower)
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
AUD/ SGD + 10.0%	(132)	(132)	(403)	(432)
AUD/ SGD - 5.0%	66	66	201	216
AUD/ RM + 10.0%	48	(424)	(1,359)	(1,415)
AUD/ RM - 5.0%	(24)	212	679	707
AUD/ HKD + 10.0%	(4)	62	312	286
AUD/ HKD - 5.0%	2	(31)	(156)	(143)
AUD/ RMB + 10.0%	32	20	144	112
AUD/ RMB - 5.0%	(16)	(10)	(72)	(56)
ALID/TLID : 10.0%	2	2	20	10
AUD/ THB + 10.0% AUD/ THB - 5.0%	2 (1)	3 (1)	20 (10)	16 (8)
AUD/ VND + 10.0%	(27)	(18)	(94)	(60)
AUD/ VND - 5.0%	14	9	47	30
AUD/ IDR + 10.0%	33	31	68	31
AUD/ IDR + 10.0% AUD/ IDR - 5.0%	(16)	(15)	(34)	(16)

#### 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 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

# 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

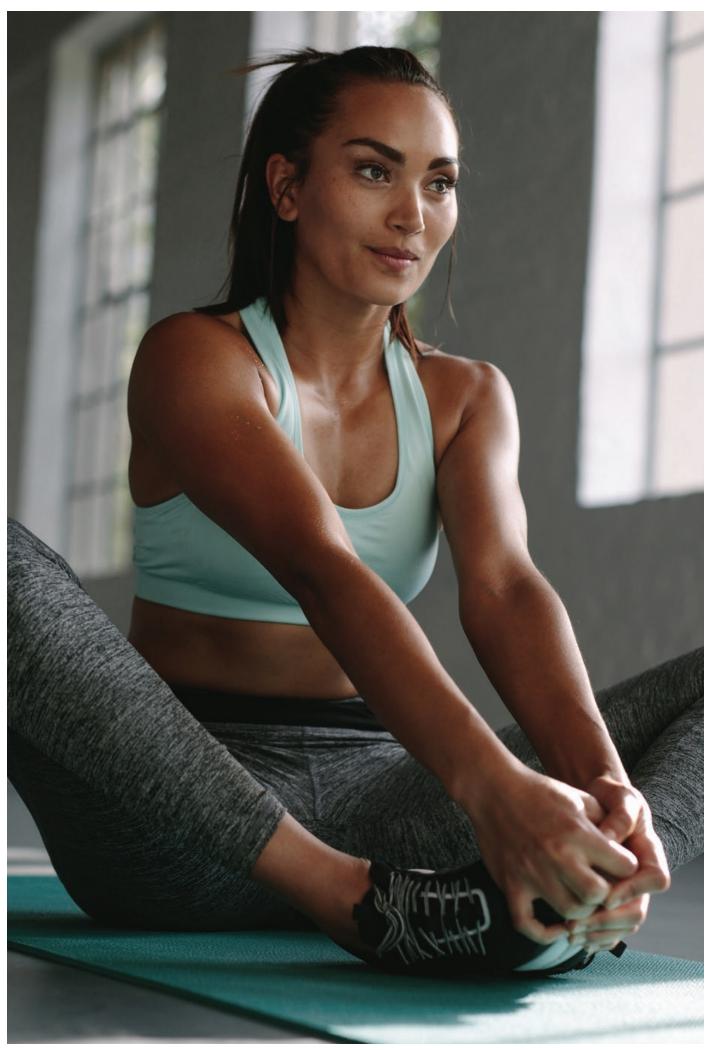
Liquidity risk (Continued)

At 31 December 2018, the Group has \$Nil (2017: \$Nil) unused credit facilities.

	Weighted		Floating	Fixed interest maturing			
	average	Interest Free	interest rate	1 year or less	1 to 5 years	Total	
	interest rate	\$'000	\$'000	\$'000	\$'000	\$'000	
2018							
Financial Assets							
Cash assets-see Note 7	2.38%	-	10,415	526	-	10,941	
Trade and other receivables -	n/a	7,093		-	-	7,093	
see Note 8		7,093	10,415	526	-	18,034	
Financial Liabilities							
Trade and other payables -							
see Note 14	n/a	5,145	-	-	-	5,145	
Property facility-see note 15	4.25%	_	-	342	1,732	2,074	
		5,145	-	342	1,732	7,219	
2017							
Financial Assets							
Cash assets-see Note 7	1.66%	_	9,953	12	-	9,965	
Trade and other receivables -							
see Note 8	n/a	6,662	-	-	-	6,662	
		6,662	9,953	12	-	16,627	
Financial Liabilities							
Trade and other payables -							
see Note 14	n/a	4,413	-	_	-	4,413	
Property facility-see Note 15	4.25%	_	-	290	1,927	2,217	
		4,413	-	290	1,927	6,630	

#### Fair value

All of the Group's financial instruments recognised in the Consolidated Statement of Financial Position have been assessed as at fair values.





#### 25. SHARE BASED PAYMENT PLANS

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

(Income)/ Expense arising from equity settled share based payment transactions:

	2018 \$'000	2017 \$'000
Share based income on long term incentive plan	(24)	(139)
Share Options expense	60	932

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 Sciences Limited.

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 2017

During the 2017 financial year, the Company approved loans to the Managing Director totalling \$1,380,000 in order for Mr O'Keefe to purchase a total of 1,000,000 new shares. 500,000 shares have performance hurdles combining the 2017 and 2018 financial years with a final expiry date of 30 June 2019 and an exercise price of \$1.26 should the hurdle be reached. The other 500,000 shares have performance hurdles combining the 2018 and 2019 financial years with a final expiry date of 30 June 2020 and an exercise price of \$1.50 should the hurdle be reached. These 1,000,000 shares were cancelled during the year as it became apparent that the vesting conditions would not be met and subsequently reissued under new terms and conditions as stated in (iii) below.

#### (iii) Plan shares issued in 2018

During the 2018 financial year, the Company approved loans to the Managing Director totalling \$900,000 (2017: \$1,380,000) in order for Mr O'Keefe to purchase a total of 1,000,000 (2017:1,000,000) new shares in place of the 1,000,000 shares issued in 2017 which has since been cancelled. 500,000 shares have performance hurdles combining the 2018 and 2019 financial years with a final expiry date of 30 June 2020 and an exercise price of \$0.80 should the hurdle be reached. The other 500,000 shares have performance hurdles combining the 2019 and 2020 financial years with a final expiry date of 30 June 2021 and an exercise price of \$1.00 should the hurdle be reached.

#### 25. SHARE BASED PAYMENT PLANS (CONTINUED)

#### (iv) 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 of which 800,000 were cancelled during 2016. The other 800,000 shares have performance hurdles combining the 2015, 2016 and 2017 financial years with a final expiry date of 30 June 2018 and, an exercise price of \$1.60 should the hurdle be reached. As the performance hurdle was not reached at the end of the 2018 financial year, the 800,000 shares were cancelled on 26 February 2018.

#### (v) Share Options issued in 2017

During the 2017 financial year, 2,208,000, 1,106,000 and 1,106,000 unlisted share options convertible to ordinary shares in the Company were granted as payment of key incentive upon delivery of business development services to Mr Liyang Liu, a non-executive director of a controlled entity based in China. The options are not subject to any performance hurdles. The options expired on 3 January 2018, 3 July 2018 and 3 July 2 ary 2019 respectively. As at the date of this report, all the options had expired and were cancelled unexercised.

#### (vi) 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 during the

	2018 No.	2017 No.	2018 WAEP	2017 WAEP
Outstanding at the beginning of the year-b(ii) & b(iv)	1,800,000	800,000	1.48	1.60
Granted during the year - b(iii)	1,000,000	1,000,000	0.90	1.38
Expired during the year-b(ii) & b(iv)	(1,800,000)	-	1.48	-
Outstanding at the end of the year	1,000,000	1,800,000	0.90	1.48

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in unlisted Share options during the year:

	2018 No.	2017 No.	2018 WAEP	2017 WAEP
Outstanding at the beginning of the year	4,420,000	-	1.76	-
Issued during the year - b(v)	-	4,420,000	-	1.76
Expired during the year	(3,314,000)	-	1.52	-
Outstanding at the end of the year	1,106,000	4,420,000	2.50	1.76

# THE FINANCIAL **STATEMENTS**

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

#### 25. SHARE BASED PAYMENT PLANS (CONTINUED)

(vii) 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 and unlisted Share Options

The range of exercise prices for Plan Shares and unlisted Share Options outstanding at the end of the financial year was \$0.80 to \$2.50 (2017:

The weighted average remaining contractual life for the Plan Shares and unlisted Share Options outstanding at the end of the financial year was 2.0 years (2017: 1.1 years). The weighted average fair value of Plan Shares and unlisted Share Options granted in 2018 financial year was

No plan shares nor unlisted share options were exercised during the year (2017: Nil Plan Shares were exercised).

(viii) Implied option and share options pricing

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

Plan Shares issued in 2018		
No of shares issued -b(iii)	500,000	500,000
Exercise price per implied option	\$0.80	\$1.00
Dividend yield	-	-
Expected annual volatility	31.51%	31.51%
Risk-free interest rate (p.a.)	2.01%	2.01%
Expected life of implied option (Years)	2.0	3.0
Fair value per implied option	\$0.13	\$0.11
Exercise price per implied option	\$0.80	\$1.00
Share price at grant date	\$0.76	\$0.76
Model used	Black Scholes	Black Scholes

In respect of the implied options arising from the Shares granted in 2018, the expected volatility was determined using historic data over a 1-year period from Jan 2017 to Dec 2017.

Plan Shares issued in 2017		
No of shares issued -b(ii)	500,000	500,000
Exercise price per implied option	\$1.26	\$1.50
Dividend yield	-	-
Expected annual volatility	51.47%	51.47%
Risk-free interest rate (p.a.)	1.65%	1.65%
Expected life of implied option (Years)	2.0	3.0
Fair value per implied option	\$0.25	\$0.27
Exercise price per implied option	\$1.26	\$1.50
Share price at grant date	\$0.98	\$0.98
Model used	Black Scholes	Black Scholes

In respect of the implied options arising from the Shares granted in 2017, the expected volatility was determined using historic data over a 1-year period from Jan 2016 to Dec 2016.

#### 25 .SHARE BASED PAYMENT PLANS (CONTINUED)

Plan Shares issued in 2015			
No. of shares issued - b (iv)	560,000	840,000	200,000
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)	2.0	3.0	3.0
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 Aug 2009 to Apr 2014.

Unlisted Share Options issued in 2017			
No. of share options issued-b (v)	2,208,000	1,106,000	1,106,000
Exercise price per implied option	\$1.28	\$2.00	\$2.50
8			
Dividend yield	-	-	-
Expected annual volatility	44.50%	46.75%	49.00%
Risk-free interest rate (p.a.)	1.90%	1.90%	1.90%
Expected life of implied option (Years)	1.0	1.5	2.0
Fair value per implied option	\$0.30	\$0.15	\$0.14
Exercise price per implied option	\$1.28	\$2.00	\$2.50
Share price at grant date	\$1.37	\$1.37	\$1.37
Model used	Black Scholes	Black Scholes	Black Scholes

In respect of the share options granted in 2017, the expected volatility was determined using historic data over a 2 year period from Jan 2015 to Dec 2016.

# **26. COMMITMENTS**

#### Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for various offices and warehouse facilities and chattel leases for office machinery. These leases have an average life of between 3 and 5 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:

	2018 \$'000	2017 \$'000
Within one year	384	318
After one year but not more than five years	343	261
	727	579

The Group incurred \$314,682 (2017: \$342,287) of operating lease expenditure during the financial year.



#### 27. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

#### Unlisted Share Options and Long Term Incentive Plan Shares

On 3 January 2019, Tranche 3 comprising 1,106,000 unlisted Share options granted to a non-executive director of a controlled entity, Mr Liyang Liu, expired as they had not been exercised.

#### **Final Dividend**

On 22 February 2019, the Directors declared a final fully franked dividend of 2.25 cents per share in respect of the financial year ended 31 December 2018.

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.

#### **Long Term Incentive Plan Shares**

On 8 March 2019, 970,000 new Long Term Incentive Plan Shares were issued to key executives of the Group. 485,000 shares have a performance hurdles combining the 2019 and 2020 financial years with a final expiry date of 30 June 2021 and an exercise price of \$1.00 should the hurdle be reached. 485,000 shares have a performance hurdles combining the 2020 and 2021 financial years with a final expiry date of 30 June 2022 and an exercise price of \$1.20 should the hurdle be reached.

#### 28. AUDITOR'S REMUNERATION

The auditor of Vita Life Sciences Limited is Nexia Sydney Audit Pty Limited.

	2018 \$′000	2017 \$′000
Amount receivable or due and receivable by		
the auditor of the parent entity:		
An audit or review of the financial report of the		
entity and any other entity in the consolidated group	116	108
Other services in relation to the entity and any		
other entity in the consolidated group provided by associate firm of auditor		
- tax compliance services	17	22
- share registry	39	41
	172	171
Amount receivable or due and receivable by other auditors:		
- audit or review of the financial reports of controlled entities	105	92
	277	263

#### 29. CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent assets or liabilities at 31 December 2018 (2017 \$Nil).

#### 30. CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2018 (2017: \$Nil).

# **DIRECTORS' DECLARATION** FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of the Company declare that:

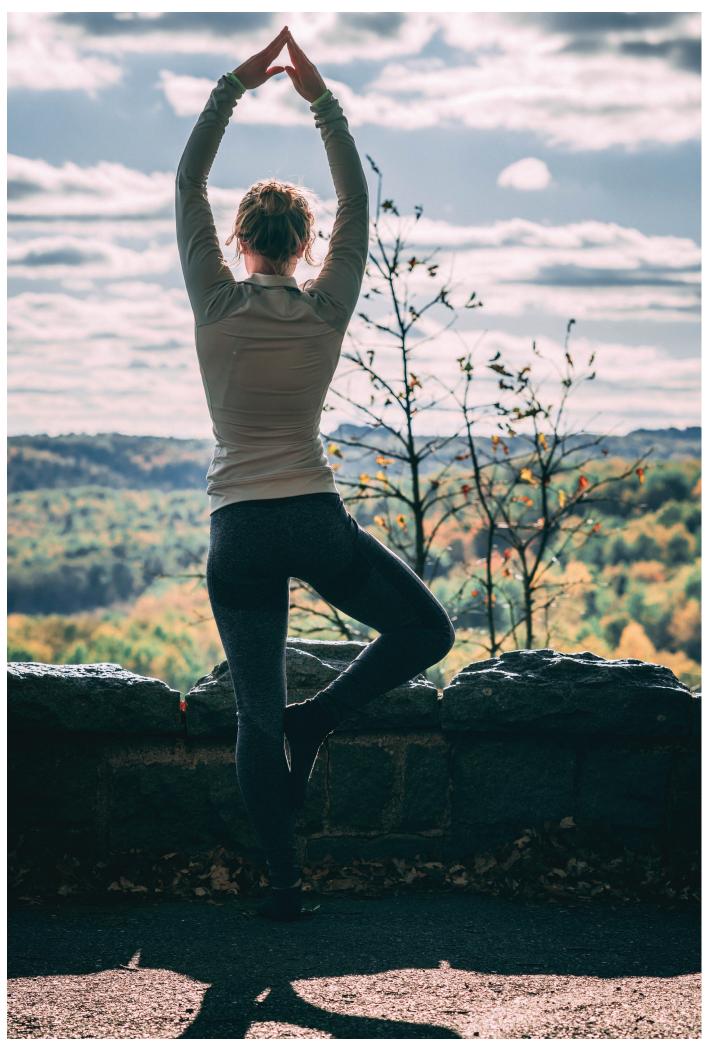
- 1. The Financial Statements and notes as set out on pages 32 to 86 are in accordance with the Corporations Act 2001 and:
- (a) Comply with Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
- (b) Give a true and fair view of the financial position as at 31 December 2018 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 Chief Financial Officer 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.

Andrew O'Keefe

Managing Director

27 March 2019





# **Independent Auditor's Report to the Members of Vita Life Sciences Limited**

#### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Vita Life Sciences Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# **Nexia Sydney Audit & Assurance**

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Nexia Sydney Audit & Assurance (ABN 74 632 161 298) is an independent firm of Chartered Accountants. It is affiliated with, but independent from the contract of the contracNexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which trade under a name which includes NEXIA) are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of a worldwide and the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which includes NEXIA are not part of the members which include

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#### **Key audit matter**

# How our audit addressed the key audit matter

# **Revenue Recognition** (\$41,151,000)

Refer to note 2(x) in the financial report.

Revenue is an important measure by which to assess the performance of the Group.

The Group receives revenue from contracts with customers based upon a number of measures including volume discounts, marketing rebates, and sales returns particularly in the Group's Malaysian operations.

Revenue recognition is considered a key audit matter with the implementation of AASB 15 Revenue from Contracts with Customers.

# Our procedures included, amongst others:

- We evaluated the Group's processes and controls relating to the recognition and measurement of revenue, including the classification of revenue within the Statement of Comprehensive Income.
- We obtained management's assessment of the effect of AASB 15 -Revenue from Contracts with Customers has on the Group and examined the methodology for measuring and recognising revenue. We obtained an understanding of the terms of the sales agreements of the relevant income streams within the Group that are impacted by the new standard.
- We instructed and reviewed the audit work papers of the component auditor in Malaysia in respect of the impact of adopting AASB 15 - Revenue from Contracts with Customers. This included testing management assumptions relating to volume discounts, marketing rebates and historical return values in order to assess management's estimate of the transaction price and the value of contract liabilities.
- Considered the quantum of claims and sales returns during the current and previous years to assess the accuracy of management's estimates.
- We assessed the appropriateness of the note disclosures required by AASB 15.

# **Recoverability of Loan to Associate (\$972,000)**

Refer to note 11 in the financial report.

The loan provided by Lovin Pharma International Limited ("Lovin Pharma"), domiciled in Ireland, to its associate company in Malaysia, Mitre Focus Sdn Bhd ("Mitre Focus"), was made for the purpose of financing property development in Malaysia.

The loan to Mitre Focus is considered to be a key audit matter due to the significant judgements and estimates required to assess the loan's recoverability, including the Group's assumptions about the expected sale prices and demand Our procedures included, amongst others:

- Instructing the auditor of Lovin Pharma to perform an audit of its financial statements for the purpose of the Group's consolidated financial statements. In doing so, we discussed the risk assessment and audit strategy undertaken by the component auditor;
- Reviewed the audit work papers of the component auditor in respect of the recoverability of the loan;
- Reviewed the independent expert's valuation report of the Malaysian land that is significant to the assets of the investment; and
- Performed sensitivity analysis in respect of scenarios of decreases in undeveloped land valuation, increases in construction costs and decreases in expected sales values of completed properties to determine its effect on the recoverability of the loan.

Key audit matter	How our audit addressed the key audit matter
for the land development project lots supporting recoverability of the loan.	

#### Other information

The directors are responsible for the other information. The other information comprises the information in Vita Life Sciences Limited's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

# 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

# Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors\_files/ar2.pdf. This description forms part of our auditor's report.

# **Report on the Remuneration Report**

# **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 19 of the directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

#### Responsibilities

Neria

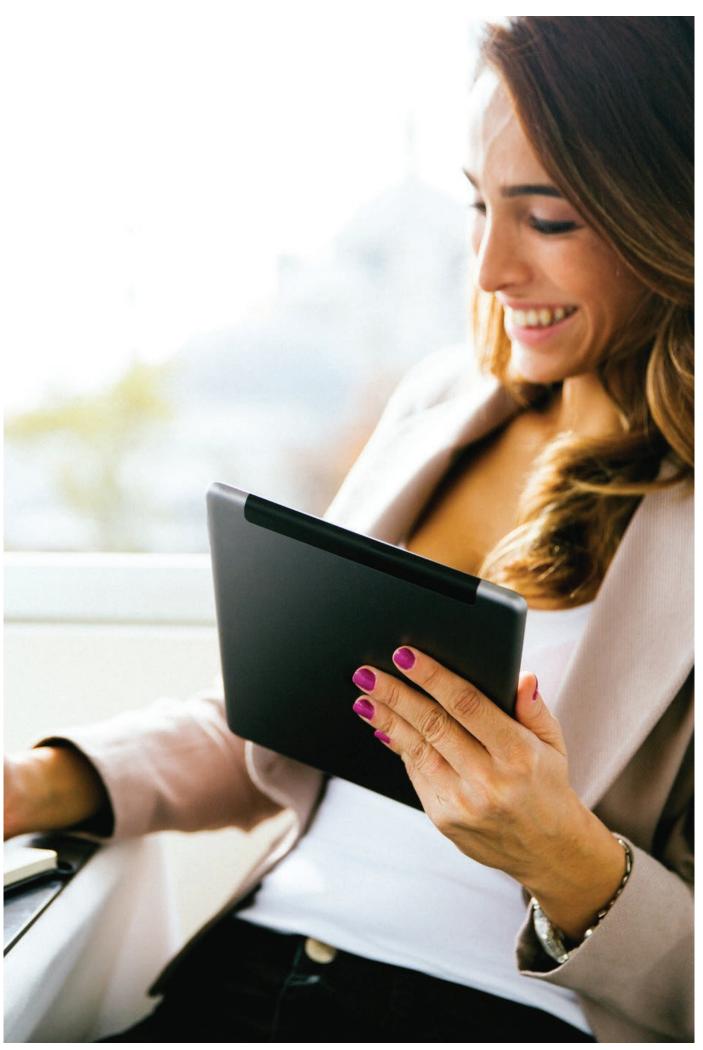
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Nexia Sydney Audit & Assurance** 

Joseph Santangelo

Director

27 March 2019 Sydney



# ADDITIONAL INFORMATION

# **ASX ADDITIONAL INFORMATION** THE FOLLOWING INFORMATION IS CURRENT AS AT 28 FEBRUARY 2019

#### 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	15.6%
MRS VICKY TEOH	8,435,693	15.4%
BARINGS ACCEPTANCE LIMITED	7,371,832	13.4%
ANGLO AUSTRALIAN CHRISTIAN & CHARITABLE FUND	6,276,040	11.4%
MR TIE LIM SUNG	5,366,017	9.8%

#### **B. DISTRIBUTION OF EQUITY SECURITY HOLDERS**

(i) Analysis of number of equity security holders by size of holding as at 28 February 2019:

Category	Ordinary shareholders
1 – 1,000	150
1,001 - 5,000	329
5,001 - 10,000	127
10,001 - 100,000	161
100,001 and over	36
	803

(ii) There were 92 holders of less than a marketable parcel of ordinary shares.

# ASX ADDITIONAL INFORMATION THE FOLLOWING INFORMATION IS CURRENT AS AT 28 FEBRUARY 2019

# C. EQUITY SECURITY HOLDERS

	Ordinary shares	
Twenty largest quoted equity security holders	Number held	Percentage of shares issued
CHEMICAL TRUSTEE LIMITED	8,551,439	15.6%
MRS VICKY TEOH	8,435,693	15.4%
BARINGS ACCEPTANCE LIMITED	7,371,832	13.4%
ANGLO AUSTRALIAN CHRISTIAN & CHARITABLE FUND	6,276,040	11.4%
MR TIE LIM SUNG	5,366,017	9.8%
CITICORP NOMINEES PTY LIMITED	2,401,294	4.4%
STINOC PTY LIMITED	1,414,038	2.6%
SOUTH SEAS HOLDINGS PTY LTD	1,345,430	2.5%
ANDREW W O'KEEFE	1,000,000	1.8%
TAN TEIK WEI	911,607	1.7%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	619,150	1.1%
CVC LIMITED	582,355	1.1%
NORMANDY FINANCE & INVESTMENTS ASIA LIMITED	477,381	0.9%
REDBROOK NOMINEES PTY LTD	330,000	0.6%
B F A PTY LTD	327,591	0.6%
LAND REAL PTY LIMITED	281,563	0.5%
CRX SECURITIES PTY LIMITED	270,000	0.5%
KANGIARA PTY LIMITED	252,268	0.5%
SYCAMOOR PTY LIMITED	237,857	0.4%
MR KIM BEE TAN & MRS VERNA SUAT WAH TAN	216,099	0.4%

# **D. VOTING RIGHTS**

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



# CORPORATE DIRECTORY

#### **Board of Directors**

# **Henry Townsing**

Acting Chairman Non-Executive Director

# Andrew O'Keefe

Managing Director

#### **Vanda Gould**

Non-Executive Director

#### **Ionathan Tooth**

Non-Executive Director

#### **Shane Teoh**

Non-Executive Director

#### Chin L Khoo

Company Secretary Chief Financial Officer

#### **Registered Office Australian Head Office**

Unit 1/102, Bath Road Kirrawee NSW 2232 T: 61 2 9545 2633 F: 61 2 9545 1311

# **Asian Regional Office**

No. 23, Jalan Jurunilai U1/20 Hicom Glenmarie Industrial Park Seksven U1 40150 Shah Alam Selangor Darul Ehsan Malaysia T: 60 3 5569 6323 F: 60 3 5569 2393

#### **Securities Exchange Listing**

The ordinary shares of Vita Life Sciences Limited are listed on the Australian Securities Exchange Ltd

(code: VLS)

#### Auditor

Nexia Sydney Audit Pty Limited Level 16, 1 Market Street Sydney NSW 2000

Westpac Banking Corporation National Australia Bank Limited

#### **Solicitor**

Mark | Ord Lawyer & Consultant Suite 650, Level 6 1 Queens Road Melbourne VIC 3004

#### **Share Registry**

**Next Registries** Level 16, 1 Market Street Sydney NSW 2000 T: 61 2 9276 1700 F: 61 2 9251 7138

#### 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 Sciences Website**

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

www.vitalifesciences.com





# **Vita Life Sciences Limited**

ACN 003 190 421 ABN 35 003 190 421

enquiries@vitalifesciences.com vitalifesciences.com

# Registered Office Australian Head Office

Unit 1/102 Bath Road Kirrawee NSW 2232 Australia T: 61 2 9545 2633 F: 61 2 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 3 5569 6323 F: 60 3 5569 2393